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National Restaurant Association Vol. 6 No. 3 March 1986

NRA NEWS

Special Franchise Issue

NRA MEETINGS

Seminars

Basic Foodservice Courses

Basic Supervision in Foodservice

4/22	Denver, CO
5/6	Richmond, VA
5/17	Chicago, IL (NRA Show)

Dining Room Management

4/14	Buffalo, NY
4/15	Syracuse, NY
5/18	Chicago, IL (NRA Show)
5/27	Rockville, MD
5/29	Charleston, WV

Kitchen Management

4/7	Portland, ME
4/22	Denver, CO
4/24	Annapolis, MD
5/5	Newport Beach, CA
5/6	Ventura, CA
5/13	Halifax, Nova Scotia, Canada
5/17	Chicago, IL (NRA Show)

People-Power and Profits

3/27	Fort Worth, TX
4/9	Columbus, OH
5/13	Seattle, WA
5/18	Chicago, IL (NRA Show)

Tools for Training

4/7	Newark, NJ
4/8	Atlanta, GA
5/7	Ogden, UT
5/17	Chicago, IL (NRA Show)

Food Production Courses

Perfecting Your Culinary Skills

4/8	Richmond, VA
5/12	San Francisco, CA
5/14	Ventura, CA
5/29	Hyde Park, NY

Simplified Baking Workshop

4/29	Atlanta, GA
5/6	Appleton, WI

Soups and Sauces

4/7	Minneapolis, MN
4/8	Indianapolis, IN
4/21	Denver, CO

Foodservice Management Courses

Banquet Management

4/3	Portland, OR
4/5	Seattle, WA
4/14	Boston, MA

Beverage Management

5/17–18	Chicago, IL (NRA Show)

Business Dynamics for Women in Foodservice

4/21	Denver, CO
5/18	Chicago, IL (NRA Show)

Introduction to Computers in Foodservice

5/17	Chicago, IL (NRA Show)

Applications for Computers in Foodservice

4/28	Newark, NJ
5/18	Chicago, IL (NRA Show)

Study Group Meetings

Financial Officers
4/2–4 Lake Tahoe, NV

Tax Executives
4/2–4 Lake Tahoe, NV

Market Research
4/9–11 Atlanta, GA

Quality Assurance
4/23–25 Phoenix, AZ

Management Information Systems (formerly the EDP Group)
4/29–5/2 Lake of the Ozarks, MO

Internal Audit Group
5/6–9 Hilton Head, SC

Marketing Executives
5/14–17 Chicago, IL

Foodservice Purchasing Managers
5/14–16 Chicago, IL

MAFCO
5/14–16 Chicago, IL

For more information on specific study groups, contact Philip Kralovec, (312) 853-2525.

Planning Successful Buffets
3/27 Rochester, NY

Employee Motivation

5/6	Cape Cod, MA
5/8	Bethesda, MD

Food Cost Management
4/22 Portland, OR

Foodservice Operators' Legal Workshop
5/18 Chicago, IL (NRA Show)

Menu Development

4/22	Albany, NY
5/17	Chicago, IL (NRA Show)

Negotiating for, and Financing, Foodservice Facilities

3/26–27	Fort Worth, TX
5/17–18	Chicago, IL (NRA Show)

Off-Premises Catering

4/14–15	Austin, TX
5/17–18	Chicago, IL (NRA Show)

Operational Analysis

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4/21–22	Charlotte, NC

Planning and Implementing Restaurant Marketing Strategy

4/21–22	Denver, CO
4/30–5/1	Miami, FL
5/17–18	Chicago, IL (NRA Show)

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4/7–8 Louisville, KY

Restaurant Design and Facilities Planning

4/28–29	St. Paul, MN
5/17–18	Chicago, IL (NRA Show)

Wine and the Bottom Line

4/9	Washington, DC
4/15	Chicago, IL
5/5	Detroit, MI

National Conferences

National Conference on Computers in Foodservice
3/16–19 Washington, DC

For more information, contact NRA Education Programs 311 First Street, N.W. Washington, DC 20001 (800) 424-5156 or (202) 638-6100

NRA NEWS

Vol. 6 No. 3 March 1986

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Kathy Gross
Bette B. Hoyt
Cathy Kenney
Susan E. Mills
Robert A. Palmer
Michelle Rabasca
Editorial Typists
Riley Stern

Editorial offices and NRA headquarters
311 First Street, N.W.
Washington, DC 20001
(202) 638-6100

Chicago offices
150 North Michigan Avenue
Suite 2000
Chicago, IL 60601
(312) 853-2525

NRA NEWS (ISSN 0468-7004) is published monthly, except combined June/July issue, by the National Restaurant Association, 311 First St., N.W., Washington, DC 20001. Membership dues include a one-year subscription to *NRA NEWS*. The non-member subscription fee is $125 per year. Second-class postage paid at Chicago, IL 60607 and additional mailing offices. Copyright © NRA 1986. Postmaster: send address change to *NRA NEWS*, 311 First St., N.W., Washington, DC 20001.

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PRESIDENT'S REPORT

Ted Balestreri
Co-owner
The Sardine Factory, Inc.
Monterey, California

Spring 1986 promises to be a busy season for your association. NRA activities on Capitol Hill, the annual Restaurant, Hotel-Motel Show, education programs, new publications and special promotions all come together as the National Restaurant Association works to meet the needs of the industry.

Senate works on tax bill

The future of the business meal tax deduction is still in the hands of the Senate. The Senate Finance Committee is expected to begin drafting its version of the tax simplification bill this month. NRA is working to educate committee members about the damage that a reduction of the meal deduction would cause to both the foodservice industry and the economy as a whole. Your support is crucial. Write your senators and let them know how any change in deductibility would affect your operation. The House of Representatives passed its version of the tax simplification bill last December. The House version reduces the meal deduction to 80 percent.

TJTC in limbo

The Targeted Job Tax Credit (TJTC) is also in limbo on Capitol Hill. NRA is working to extend the life of TJTC. It expired last December, but it is expected to receive a retroactive extension through July 1986. The long-term future of TJTC is currently locked into the tax simplification bill. In the house version of the tax reform bill TJTC remains fairly intact. NRA will work to ensure that the Senate bill does the same.

Liability testimony heard in Senate

In other association activities in Washington, DC, NRA member William A. Zehnder (Frankenmuth Bavarian Inn, Frankenmuth, MI) testified before the Senate Small Business Committee on the tremendous burden escalating liability insurance premiums are placing on small businesses in general and on foodservice operators specifically. Zehnder stated that the outrageous increase in liability insurance premiums has made "foodservice operators the victims of a tort system that is no longer serving the public interest."

According to an NRA study conducted last December, the average increase in liquor liability premiums during the previous 12 months was 110 percent. The average annual premium paid by restaurateurs has reached $39,500.

NRA's recent symposium, *The Crisis in Product & Service Liability*, held in conjunction with Penn State University, focused the public's attention on this growing liability problem. (See this month's special *Board Room* report). NRA will continue to bring national attention to this growing problem at press briefings scheduled throughout the country.

Plan to attend the NRA Show in May

The NRA Restaurant, Hotel-Motel Show is only two months away (May 17–21). You should already be making your plans to attend. Education programs, exhibits and industry contacts combine to make the NRA Show the biggest, most informative annual event in the foodservice industry. The next issue of ***NRA NEWS*** will focus on the events scheduled for this year's Show. Don't miss the special information about McWest, the new NRA Show exhibit space that will make this year's exhibit hall the largest ever.

1986–87 conference schedule finalized

NRA's 1986 *Independent Foodservice Operators' National Conference (INFO 86)*, held in Orlando, FL, February 16–19, was a great success. If you are an independent operator and missed this year's program, put next year's conference on your calendar. NRA's 1986–87 National Conference Series has been scheduled. Each national conference brings together experts on topics vital to the maintenance and growth of your operation. Take a look at the upcoming conference schedule:

- *National Conference on Marketing, Advertising and Promotions*
  Chicago, IL — August 17–20
- *The Wine Workshop*
  Monterey, CA — Sept. 29–Oct. 3
- *National Conference on Catering*
  New Orleans, LA — November 16–19
- *INFO 87*
  San Francisco, CA — January 18–21, 1987
- *Computers in Foodservice*
  Dallas, TX — March 8–11, 1987

Five seminars offered at symposium

In addition to the national conferences and NRA's regularly scheduled seminars, a five-seminar symposium is scheduled for Denver, CO, April 21–22, 1987. Known as *TeamWork*, the symposium will offer: *Business Dynamics for Women in Foodservice, Basic Supervision in Foodservice, Soups and Sauces, Kitchen Management* and *Planning and Implementing a Restaurant Marketing Strategy.* For more information on any of NRA's conferences or seminars, contact NRA's education programs department in Washington, DC.

Start working on Operation: Prom/ Graduation

Restaurateurs across the country will participate in *Operation: Prom/Graduation* this spring. This promotion will allow you to draw new guests to your establishment while demonstrating your concern for a safe and sober celebration for the class of '86.

By now you should have received your copy of the 1986 *Operation: Prom/Graduation* kit. If not, please contact NRA's communications department.

During February, 161 foodservice operators and allied suppliers joined us as members of NRA. Welcome. Your participation in NRA will make your business grow and make your association more effective in its endeavors on your behalf.

Sincerely,

Ted Balestreri
President and Chairman of the Board

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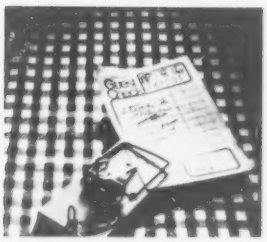

Service is important to your customers. It can make or break a restaurant's image. This month's cover story focuses on the crisis in service and what restaurateurs can do to avoid being caught in the poor service trap.

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Cover photograph by Gary Landsman

SHORT ORDERS

You can extend your hand to America's hungry

On May 25, 1986, at precisely 3:00 p.m. EST something wonderful is going to happen. And you have the opportunity to be part of it. The USA for Africa Foundation, in association with the Coca-Cola Company, will stage Hands Across America (HAA), an incredible one-time fundraising event to help eliminate hunger and homelessness in communities throughout America. In a dramatic gesture, a human chain will stretch hand to hand—and heart to heart—across the United States. The line will become the national symbol of "can do."

Nearly six million people covering 4,100 miles from New York City to Los Angeles will come together to create a new day for their less fortunate brethren.

HAA's goal is to raise at least $150 million. Each person in the line will represent a contribution to HAA of $10, $25 or $35 or more. The money collected will go to existing local and community groups. A contribution of $10 ensures a space in the line and a commemorative certificate, for $25 a T-shirt will be added, and for $35 or more participants will receive a visor and an HAA commemorative pen.

"America is built on the dreams and hopes of millions of people linked together. Our heritage is an attitude of 'can do': If we can dream it, we can make it real," says Anthony J. Tortoria, director of public affairs for Coca-Cola USA. "That is the spirit behind Hands Across America; it is positive, solution-oriented. It is a link to our heritage as a nation and our promise as a people. This is a little guy event. It belongs to the people."

You can participate in Hands Across America in two major ways.

1) You can reserve a space in line for yourself by calling (800) USA-9000 toll free and/or

2) You can participate in the "Sponsor-A-Mile" program. For each mile you underwrite, you provide places in line for 1,320 individuals who could not otherwise afford to be part of the event. Contributions of $10, $25 or $35 or more per person will come to $13,200, $33,000 or $46,200, respectively.

You can sponsor a mile for your employees and/or customers. The specific location of each sponsored mile will be determined by the state office nearest to the donor. If you are interested in sponsoring a mile, contact Sandra Farha, national group coordinator, at (213) 556-1812. Sign up will last until May 1. Line up will last until May 25, just seconds before 3:00 p.m.

As local committees are formed, you may be able to play a role in supplying food and drink as well.

"The Hands Across America program comes straight from the heart. Rarely do we have the opportunity as an organization and as individuals to be involved with such an exciting and inspiring event," notes NRA Executive Vice President William Fisher. "Our energy and our personal commitment can help make the dream of ending hunger a reality. We are a vital link in the chain."

An invitation to invent a winning recipe

Create an original recipe for a dinner entree that is quick, delicious, affordable and appealing to contemporary tastes. And make sure that one of the ingredients is Bisquick®.

Anyone who is a food preparation professional can enter the invitational, including chefs, cooks, caterers and cooking teachers.

The six invitational participants whose recipes are judged the best will receive a $500 cash award and an expense-paid trip to New York in June. They will be the guests of honor at a luncheon featuring their recipes, which will be attended by food editors and writers from the national media. They will also be the subjects of a national publicity campaign.

Entry blanks and complete rules can be obtained by writing The Bisquick Invitational, P.O. Box 5402, Dept. 861, Minneapolis, MN 55460 or by calling (800) 328-6787 Monday through Friday from 7:30 a.m. to 5 p.m. CST. Entries must be postmarked by Tuesday, April 1.

Give your menus to posterity

The New York Public Library wants menus to add to its Culinary Collection, which includes 80,000 items—from cookbooks, periodicals and menus to prints and rare manuscripts.

This collection is used by food researchers, food columnists, restaurateurs, cookbook authors, oenophiles, and others for scholarly and personal uses. The material covers every aspect of food and wine.

If you would like to donate your menu to this collection, please send it to:

Mr. Reynaldo Alejandro, Culinary Collection, Room 120, Science & Technology Research Center, Fifth Avenue and 42nd Street, New York, NY 10018

WASHINGTON REPORT

New IRS rules on employer-provided eating facilities

The Internal Revenue Service (IRS) has issued new rules regarding employer-provided eating facilities and is applying them retroactively to January 1, 1985. These temporary rules are to be used by employers to determine the taxable benefit, if any, to employees who eat in an employer-maintained foodservice facility.

The rules implement legislation passed in 1984, which makes a company cafeteria a taxable fringe benefit to employees if revenue from the facility does not cover or exceed the company's direct costs.

NRA submitted comments to the IRS last year on the issue of direct costs and argued that direct costs should be narrowly defined. The IRS has adopted NRA's position by limiting the definition to "the cost of food and beverages and the cost of labor for personnel . . . (employed) on the premises."

However, in those cases where direct costs are greater than revenue, the IRS would impose a burdensome formula for allocating income to employees. According to the temporary rules, the value of all meals provided for employees during the year ("total meal value") is deemed to equal 150 percent of the facility's direct costs.

The employer must then allocate the difference between total meal value and gross receipts, either on an individual meal basis or among all employees "in any manner reasonable under the circumstances."

For example, assume a facility has annual direct costs of $100,000 and revenue of $95,000. Using the proposed formula, the company would subtract gross receipts ($95,000) from 150 percent of $100,000 ($150,000) to get the total meal subsidy ($55,000). This $55,000 would be additional taxable income to employees and would have to be allocated by the employer.

NRA submitted comments opposing the 150 percent valuation requirement last month. As best as NRA can determine, the 150 percent figure is arbitrary and is apparently based on the IRS' perception that the prices charged in company eating facilities are less than the fair market value of meals, i.e., what a restaurant would be expected to charge for them. The IRS is trying to capture this hypothetical "fair market" value for tax purposes.

This creates an employer obligation to determine the value of this benefit for taxable year 1985 and to show benefit amounts on 1985 W-2's.

Meals provided "for the convenience of the employer" are exempt from taxation under Sec. 119 of the Internal Revenue Code, and many employers are relying on this provision to escape the effects of this rule. However, it is questionable whether this section can be stretched to cover employees with easy access to outside eating places.

Tell your senators what you think about the caps

If you have not already written your senators on the business marketing meal issue, please do so.

The Senate Finance Committee will begin writing its version of tax reform as early as this month. The House completed its work on a tax reform package (H.R. 3838) last December. Included in that bill is a provision to limit the business meal deduction to 80 percent.

NRA is working to preserve business meal and food-related entertainment deductibility at 100 percent. You can do your part by writing your senators and asking them to oppose any limitations on the deductibility of this legitimate marketing expense.

Please send a copy of your correspondence to the NRA Government Relations Department, NRA, 311 First Street, N.W., Washington, DC 20001

Senate considers tax increases as part of tax reform effort

The effort to reform the nation's tax laws continued last month as the Senate Finance Committee held hearings on the provisions of the House-approved tax bill, H.R. 3838. Finance Committee members are working to reconcile the conflicting demands of constituents, colleagues and the administration as they try to put together a reform bill.

The House bill was passed without any tax increase or new forms of taxation, as per the President's request. To make up for its lower tax brackets, the bill raises revenue by deleting many tax breaks, currently used by both businesses and individuals.

Many senators want to restore some of those tax breaks, including the investment tax credit and accelerated depreciation for new capital investments. To do so, new revenue-raising items are being considered by the Senate.

One option, being pushed by Sen. William Roth (R-DE), is the business transfer tax (BTT). Under this proposal, businesses would pay a seven to 10 percent tax on their gross receipts from domestic sales, minus the expense of raw materials and capital. According to Roth, his proposal would put the U.S. on a more competitive international standing by providing generous incentives for capital investments. The tax would be applied to imports but not exports.

The revenue generated by the BTT would be used to pay for lower tax rates and more generous depreciation than called for in

the House bill. An aide to Roth estimates that the tax could raise from $70 billion to $115 billion in the first year, depending upon how it is structured.

Other revenue-raising options under serious consideration include a targeted tax on oil and a broad-based energy tax on consumption.

Reagan expressed his opposition to the inclusion of any new revenue raising items in the tax bill. Supporters of the BTT and other revenue-raising items

Sen. William Roth (R-DE)

note that without presidential approval, passage of any revenue-raising proposal would be difficult.

Changes the President wants the Senate to make to H.R. 3838 include: (a) a return to three tax brackets of 15 percent, 25 percent and 35 percent, (b) a $2,000 personal exemption for middle and low-income taxpayers, (c) depreciation schedules closer to current law, (d) more generous treatment of natural resource industries, such as oil, gas and timber and (e) a reduction of the effective capital gains tax rate to 20 percent.

Observers indicate that it will be nearly impossible to create a revenue-neutral bill that includes the administration's "wish list." Sen. Malcolm Wallop (R-WY) noted that agreeing to a bill under the President's current conditions "is something harder than putting a man on Uranus."

The Senate Finance Committee began holding hearings on the tax bill late in January, and expects to begin markup of its tax bill this month. Committee Chairman Bob Packwood (R-OR) hopes to have a bill finished and on the Senate floor by the summer.

Reagan budget proposes to eliminate SBA, require user fees for meat inspections

When the President submitted his 1987 budget proposal to Congress early in February, he proposed to cut the federal deficit by $38.2 billion to $143.6 billion to bring it below the $144 billion deficit target set by the Gramm-Rudman-Hollings balanced budget order.

Budget savings would come from massive spending cuts and slight revenue increases.

Scheduled for substantial cuts or complete elimination are programs termed "non-essential" by the President. *The Small Business Administration* (SBA) *would be dismantled*. SBA credit activities would be ended and its loan portfolio would be sold. Remaining SBA programs, such as procurement and management assistance to minority businesses and the SBA advocacy office, would be transferred to the Commerce Department.

Also scheduled for major reductions or elimination are the Interstate Commerce Commission, the U.S. Travel and Tourism Administration, urban development grants, the Legal Services Corp., some maritime subsidies and the new GI bill.

Social programs are slashed by the President's budget. The reductions include a $4.6 billion cut in Medicare, a $1.3 billion cut in Medicaid, and a $2 billion cut for student aid as well as cuts in child nutrition, food aid and veterans' medical care.

Reagan has also called for *"privatization"* of many federal programs in order to reduce federal competition with the private sector. Programs scheduled for transfer to the private sector include the power marketing administrations, marine petroleum reserves, the Federal Housing Administration, crop insurance and Amtrak subsidies.

Despite previous congressional opposition, the administration has renewed its efforts to require *user fees* for many government services. Under the budget proposal, the government would begin charging user fees for meat and poultry inspection.

The administration also suggests charging increased fees for use of park land and fishing rights, private letter rulings by the Treasury Department, collection of underpaid taxes and customs border processing services. Also called for is an increase in premiums paid by sponsors of single-employer retirement plans to the Pension Benefit Guaranty Corp., which guarantees payment of retirement benefits.

Many aspects of Reagan's budget proposal face stiff opposition in Congress. Members of Congress up for reelection this year will find themselves struggling to come up with a compromise budget that will satisfy both the administration and their constituents.

NRA opposes polygraph ban

NRA is working to defeat a bill that would prohibit employers from using lie detectors. Scheduled to be taken up on the House floor early in the session, the bill bans all polygraph testing in the workplace, including pre-employment screening.

Introduced last year by Rep. Pat Williams (D-MT), H.R. 1524 has more than 160 co-sponsors. The bill not only prohibits employers from requiring employees to take a lie detector test, but it also allows employees to file civil suits against employers who require or suggest that they submit to polygraph testing.

A similar bill, S. 1815, was introduced in the Senate on Oct. 31, 1985 by Sen. Orrin Hatch (R-UT). The Senate bill has seen no action.

NRA opposes the move to eliminate polygraph testing. Proper use of lie detectors helps to reduce employee theft, ensure a high-quality work force and protect consumers from fraud. The polygraph enables employers to confirm information on employment records and assists employers in recovering stolen items.

NRA supports a substitute bill, H.R. 3916, that would institute federal standards for proper use of polygraph testing in the workplace.

—Jay Morris, Michelle Rabayda

Interview

Lott discusses congressional budget process, taxes, labor

As minority whip, U.S. Rep. Trent Lott (R-MS) is the second-ranking member of the Republican leadership in the House of Representatives. Since his election to the post in 1980, he has developed a political organization described as "extraordinary and effective" by Conservative Digest. *The seven-term congressman also serves on the powerful Rules Committee, which determines which bills will be considered by the House and the "rules" under which they will be debated.*

***NRA NEWS:* The seemingly out-of-control deficit situation has put a spotlight on the congressional budget process, a system that the President in his recent State of the Union address said is "broken" and "doesn't work anymore." Do you agree with his assessment?**

LOTT: I agree absolutely and wholeheartedly. I was an early supporter of the so-called Budget and Impoundment Act of 1974, which totally changed the way we set spending priorities. I had high hopes for it and supported the new process that came out of that legislation. But in 1983 it started dawning on me that it really was not working. Congress was adding up the numbers and falling $100 or $200 billion short, and saying, "Gee, that's too bad," and then just going merrily on its way.

The new Gramm-Rudman-Hollings balanced budget law is another effort to force ourselves to do the job we should have had the courage to do anyway. I hope that this time it will force us to make the choices, set the priorities and reduce the deficit. If we don't, we will either have automatic sequestrations [across-the-board budget cuts] that the new law triggers or we will have to pass another law that says we can't do the job.

Q: The President is calling again for line-item veto authority as a means of stopping wasteful spending without having to veto an entire bill. Do you believe Congress will concede?

A: No, I don't see much chance of him getting it, although I feel very strongly that he should have it—that all Presidents should have it. Many of my conservative colleagues say that they would not mind if Reagan had the line-item veto, but they are not sure they want it for the next president. Others are institutional creatures and say that giving the President such authority would be another abdication of Congress' legislative role. I don't agree.

Q: Will the President's budget cuts be taken more seriously this year because of Gramm-Rudman-Hollings?

A: I don't think his budget is "dead on arrival." There are a lot of very good features in it. The difference this time is that Congress cannot just pitch it out in the street and then do whatever it wants to. We have Gramm-Rudman hanging over our heads, so if Congress doesn't accept the President's program and doesn't want sequestration, it has to come up with something different.

As a congressman from the fifth district of Mississippi, I like the President's budget very much. My district is for strong defense, for space research and for welfare reform. As Republican whip, though, I am concerned about what a united Republican party in the House can support. To get there, I have to concede some points along the way.

Q: What are the chances of a tax increase this year?

A: There is a clamor within Washington for a tax increase, but when you get outside the Washington beltway and stop reading *The New York Times* and *The Washington Post* and listening to the networks, you don't hear it. I ask my constituents every year if we should raise taxes or cut programs to eliminate the deficit. Eighty-nine percent of them say, "Cut spending, you turkey!"

In all seriousness, I think the chances are very likely that there will be some sort of energy tax before the year is over. I am not saying I like it or would support it, but I think the energy tax—either as an import fee or a tax at the gas pump—is a possibility.

Q: How close do you think the Senate will come in meeting the requirements the President has set for a tax reform bill he can sign?

A: It is going to be tough, but I think the Senate can come up with a package that corrects some of the things we didn't like in the House bill. I think it will double the personal exemption to $2,000, restore some of the business incentives the House took away, go back toward current law in depreciation schedules and get capital gains down to where it is under current law.

Q: What can it do on the restaurant issue [business meal deductibility]?

A: I don't know, but it will try to correct some problems in the business area.

Q: Do you see any movement on labor legislation this year, such as increasing the minimum wage?

A: No. I'd like to see the youth opportunity wage passed, but I don't think it will pick up enough momentum this year.

Q: What about immigration reform? How far will that get this year?

A: I think it will get through the House this time.

Q: Will there be employer sanctions?

A: Yes.

Q: Recordkeeping and verification requirements for employers?

A: I think that will be considerably modified from what was in the last bill. In the final analysis, what will determine whether we get a bill out is whether there can be agreement on a guest worker program.

NRA President and Chairman of the Board Ted Balestreri welcomes attendees to the symposium.

Rep. James J. Florio (D-NJ) discusses the far-reaching effects of the insurance crisis.

National symposium focuses on far-reaching implications of the liability crisis

VICTIMS o

"The crisis in product and service liability is a broad social problem. We need to insist that our lawmakers reexamine the tort laws, and we need to evaluate our cynical attitude toward civil legal suits. The alternative is to become a suing society in which . . . the trust involved in human transaction is beaten to the ground."

With this foreboding message, NRA President Ted J. Balestreri opened the national symposium entitled, "The Crisis in Product and Service Liability," sponsored by Pennsylvania State University and the National Restaurant Association. The day-long symposium, held in Washington, DC, on January 29, was presided over by a team of experts representing the federal government, the restaurant industry, the legal and medical professions, the insurance industry and local governments. It was attended by more than 100 foodservice operators and media representatives from across the country.

The purpose of the symposium, according to H.A. (Andy) Devine, Ph.D., of Penn State University, who joined Balestreri in opening the program, was to educate attendees about the far-reaching implications of the liability crisis. "We'll probably not reach any definite conclusions," Devine said. "However, we will get some good grist for our thought mills . . . to discover possible remedies that do not, on the one hand, threaten the continuance of business and professional practices nor, on the other hand, remove the right of redress to the injured, innocent party."

Statistics tell the story . . .

Perhaps the most thought-provoking "grist" came from the alarming statistics cited by industry and government representatives throughout the day. Albert L. Salvatico, managing director of Marsh & McLennan, a large international insurance brokerage organization, reported that one out of every 15 Americans filed a private lawsuit in 1984. George L. Collins, Jr., M.D., secretary-treasurer of the American Medical Association (AMA), documented an increase in civil cases in federal district courts from 35,000 in 1940 to 180,000 in 1981. And Richard K. Willard, assistant U.S. attorney general heading the Reagan administration's Tort Policy Working Group, said that in 1985 insurers suffered underwriting losses of $25 billion—the worst year since the San Francisco earthquake of 1906.

But it is not these dramatic increases in civil suits alone that have resulted in the national liability crisis. Each industry speaker had his own horror stories to tell about escalating premium costs or, in some cases, the inability to get insurance coverage at any price. Collins told of AMA members whose average premium costs have gone up 45 percent in the last two years. In New York City, he reported, average premiums for physicians have risen 312 percent since 1975. Theodore D. Mann, mayor of Newton, MA, whose city has been the target of more than $20 million in tort and civil rights claims since 1978, has decided to "go bare"—that is, to self-insure—in order to beat the escalating costs of insurance coverage.

Effect on foodservice . . .

In describing the effect of the crisis on the foodservice industry, NRA Executive Vice President William P. Fisher said that "what makes our situation slightly different is that the court actions we face are third-party liability lawsuits." That is, the restau-

Victor Schwartz, partner in the Crowell & Moring law firm and chairman of the Federal Interagency Task Force on Product Liability, outlines current liability legislation.

Theodore D. Mann, mayor of Newton, MA, discusses how liability problems can affect city governments.

F VICTIMS

rateur is not the actual cause of the damage, but he or she is held liable anyway. Fisher said 40 states currently have dram shop laws or a common law precedent which allow third-party liquor liability suits.

The increases in premium costs cited by Fisher were among the most dramatic heard by attendees. He told of a Washington, DC, operator whose premium went from $185 to $26,500 in one year, a Michigan operator who experienced a one-year increase from $6,700 to $30,520 and a New Jersey operator whose total liability package rose from $25,000 to $92,000 in one year.

Fisher also outlined the results of a Gallup survey, commissioned by NRA, which revealed that 69 percent of restaurateurs polled reported liquor liability premium increases during the previous year—even though 91 percent said they had never been named in a lawsuit. The average increase in insurance premiums was 110 percent, and the average price tag for liquor liability insurance was $39,500.

What must be done . . .

The primary solution to the liability crisis, urged by all those who took the podium, as well as by attendees, was reform of existing federal and state tort laws. But even more fundamentally, together with those changes must come a change in society's attitude regarding suing.

Said Bill Fisher, "Our current attitude is summed up in two sentences. 'It doesn't matter if they are responsible or not. Their insurance will cover it.' As a society we tend to forget the obvious—all of us pay the penalty for every court judgment. We pay it in

NRA calls for reforms

During the symposium, NRA officials outlined four specific dram shop law reforms NRA would like to see enacted in every state:

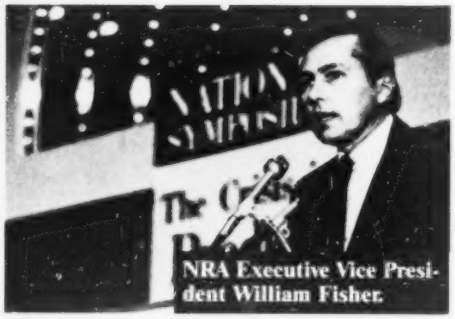
1. Dollar caps placed on the defendant's liability. Caps would assure a fair and equitable recovery for injured parties. They also would lend the kind of predictability to awards that the insurance industry claims is necessary to curb unreasonable premium increases.

2. Liquor liability cases governed by the principle of "comparative negligence" and financial liability based solely on the defendant's percentage of responsibility for the accident. This would be a major attack on the "deep pocket" syndrome, which finds individuals named as defendants primarily because they have insurance and can pay a steep penalty.

3. Advance notice of a liquor liability case provided by the plaintiff. Currently, the defendant's first notice of a suit comes when it is filed. This can be two years, three years or even more after the accident. At that point, the defendant often finds it impossible to reconstruct events and present a strong defense.

4. Reduction of time frame for filing a suit under the statue of limitations.

Members of the Panel on Responsible Service discuss alcohol awareness and employee training programs.



NRA Executive Vice President William Fisher.

Dick May, president, Specialty Restaurant Division, Gilbert Robinson, Inc., highlights alcohol-related company programs.

Question and answer sessions after each speaker encouraged audience participation and enabled attendees to focus on specific concerns.

higher insurance premiums, in the loss of goods and services, in higher prices and in higher taxes."

Albert Salvatico of Marsh & McLennan concurred, predicting that "In the coming months we are going to see a public relations campaign, aimed at the consumer, that says, 'This is not the lottery. If your friend wins, you lose. You have to pay for this.' "

In fact, attendees were told that the campaign has already begun, with five NRA Board members currently touring the country and alerting the American public to the crisis through print and broadcast media.

NRA Chairman of the Board and President Ted Balestreri (Sardine Factory, Inc., Monterey, CA); Vice President G. "Jim" Hasslocher (Frontier Enterprises, San Antonio, TX); Treasurer Michael Grisanti (Casa Grisanti, Inc., Louisville, KY); Stephen Elmont (Creative Gourmet, Ltd., Boston, MA) and Paul Lazar (Wharf Tavern, Inc., Warren, RI) are the NRA Board spokesmen.

Regarding federal tort law reform, Congressman James J. Florio (D-NJ), chairman of the House Subcommittee on Commerce, Transportation and Tourism, addressed the group, acknowledging that federal involvement in the crisis has been limited because regulation of insurance has been regarded as a state function. However, Florio foresees an increased federal role in guiding and/or implementing reform legislation.

Richard Willard of the administration's Tort Policy Working Group outlined reform measures being examined by the federal committee, such as limits on punitive damage awards, restrictions on joint and several liability and reduction of transaction costs by limiting attorneys' fees. Willard seemed optimistic that these developing policies would soon become law and that state governments would be following suit.

The "patchwork quilt" status of current state laws and the many differences between them were most effectively demonstrated by a late-afternoon panel which focused on dram shop laws as a case in point. Leaders from the state restaurant associations of Florida, Minnesota, Missouri and North Carolina explained the contrasting laws that exist in their states. In Florida, for instance, the dram shop law is only 93 words long. It establishes that citizens may not sue for third-party liability unless a minor or habitual drunkard is involved. By contrast, two states away in North Carolina, the laws allow for an uncapped liability limit, punitive damages, contingency fees and joint and several liability. They also set no time period for filing a suit.

Victims of victims . . .

As Andy Devine predicted, by the symposium's end no hard and fast solutions were drawn toward the resolution of the liability crisis. However, attendees did come away with a much greater understanding of the crisis and a determination to pressure for reform. Said Devine, "The magnitude of the problem is that product and service industries are caught in the middle. They are truly the victims of victims."

—Anne Papa

Analysis

THE CRISIS IN

SERVICE

A LOOK AT THE PROBLEM

by Toni Lydecker

"Many servers seem to take no pride in their work," complains Marion Burros, food columnist for the *New York Times*. "They don't know how to clear a table. They are extraordinarily inattentive. They are never there when you need them."

Other critics shake their heads over servers who mix up orders, neglect customers when managers turn their backs or need to be told that friendliness and cleanliness matter.

Rising expectations may account for part of the dissatisfaction with service. "We're dealing with an aging, more experienced society that has travelled the world and knows what good service is," points out Donald Smith. Consumers have already acquired many material comforts, he says, and now their priorities are shifting to intangible goods such as service.

Recent studies support this impression. In NRA focus group research

Toni Lydecker is a free-lance writer in the Washington, DC, area who writes frequently on foodservice topics for the ***NRA NEWS.***

"People no longer take good service for granted. When service meets or exceeds expectations, they perceive it as an added benefit."

(qualitative, not quantitative research) this past September, participants repeatedly cited "service" or "poor service" as critical to their restaurant experience in all types of restaurants.

Similarly, the October 1985 Gallup Monthly Report on Eating Out found that service not only influences whether customers return but it also determines whether they recommend the restaurant to others. "It's incredible how much diners will put up with if they are treated properly. Mediocre food, too much noise, cramped tables all appear to be accepted as long as people are greeted with a welcoming smile and are made to feel that the management cares about them," Gallup reports. But if the service slips and the experience is negative, 34 percent of the respondents said they would pass this information on to a friend.

Restaurant operators, too, are worried about the overall industry conditions. The perceived decline in service quality is often linked to a shortage of servers who meet high professional standards. "You don't see as many professional servers as you did 20 years ago," says NRA Director Ralph Brennan, owner of Mr. B's, New Orleans, LA.

The problem is likely to get worse, as the number of job openings exceeds the number of applicants. Scrambling just to fill job slots, some restaurateurs fear that maintaining high service standards is a utopian dream.

What went wrong . . .

Some observers trace the origins of the service problem back to the 1960s when the franchise boom brought droves of young, inexperienced servers and managers into the industry.

Many of the new recruits had no intention of making a lifetime commitment to the restaurant industry. "The human resources pool that came after the Depression and World War II had the mindset that the supply of jobs would always exceed the demand," says Donald Smith, professor of hospitality marketing, Michigan State University, East Lansing, MI. And members of this human resources pool passed this belief on to others. Convinced that their employers need them more than they need their employers, recent generations of managers and servers have felt little pressure to perform at their best.

Meanwhile, changes in family structure and public education have weakened traditional values intrinsic to delivering good service. Youngsters who fail to learn "the ethic of courtesy" at home or in school may never really master that concept when they enter foodservice jobs, observes Jerry Goodwin of Reese Coffee Houses, Denver, CO.

Saddled with a labor pool that appears to have little staying power, some operators adopt an "easy come, easy go" attitude, cutting their losses by offering servers—and sometimes managers—only cursory training and few incentives to stay. The result, of course, is an even more poorly trained and less motivated staff.

Hospitality management schools may be partly to blame for the current situation because they fail to emphasize the philosophy and practice of good service. "Too many management training programs turn out graduates with a great background in things like accounting and portion control but no knowledge of the fine points of serving," notes Gary Penn, founder of the Professional Waiters School, Los Angeles, CA. "Servers touch the rim of the wine glass when placing it in front of the customer—it's like they have never heard of the stem—and managers just let it pass. Or the manager fails to teach servers that it's more courteous to say, 'May I take your plate?' than 'Are you done yet?' "

Some management schools are taking the offensive. At Michigan State University, for example, graduate students in hospitality management are learning how to inspire, to recognize and to reward "hospitality-added service." With computers taking over much of the bookkeeping and other paperwork, adds Smith, managers can get out of the office and spend more time on the floor. They can become models and leaders for the service staff.

By walking the floor, managers can gather intimate knowledge of how customers are being served and can show staff, by example, the intricate organizational and "people" skills that go into good service.

Rethinking the image . . .

A server wryly quotes comedian Rodney Dangerfield: "We don't get no respect." She is expressing the most commonly cited reason for the nosedive of serving as a profession: Few customers, restaurant owners and managers consider serving a highly skilled or prestigious occupation. In fact, neither do many servers.

- **Sales representative.** "Think of the demeaning names we use. 'Wait-

"Good service depends on the degree of sincerity shown, the relationship between the server and customer."

er,' 'waitress,' 'wait staff,' 'server' all emphasize the subservient side of the job," observes Donald Smith. Believing that such terms fail to communicate the essence of the job, he suggests substituting the title "sales associate"—not as a euphemism but as a controlling concept that can change attitudes and, eventually, reshape recruitment, training and personnel policies.

Serving is a basic commission job designed to reward people who display energy, talent and perserverance—and to reward the restaurants lucky enough to employ them. Consider that a server in a white tablecloth restaurant may account for $200,000 to $300,000 a year in sales, and the vital importance of this person's sales ability comes into focus.

Participants in NRA's focus group research agree that the server's recommendation was critical to their decision to try a new menu item. The server who, when asked about a fish specialty, replies, "I don't eat fish myself," has represented the restaurant badly. In contrast, the promotion-minded server who carefully explains the menu has demonstrated impressive—and valuable—sales skills.

• **Coordinator.** From another perspective, servers function much as a hotel concierge does. They are coordinators—selecting, pulling together and customizing various elements to help create the customer's dining experience.

• **Social host.** Yet another model for servers is that of the host entertaining guests at home. At the Frankenmuth Bavarian Inn, located in Frankenmuth, MI, a town with a strong German heritage, service goals are summed up in the word *gemutlichkeit*. According to owner Bill Zehnder, "The closest English equivalent to *gemutlichkeit* is 'hospitality' or 'friendliness,' but it goes a little beyond. It's the hug, the glass of welcoming wine, the feeling of warmth you give to close friends. We want our servers to make guests feel the same way."

• **Artist.** Every server is, to a degree, an artist. That creativity is evident in the finesse with which a soufflé is presented, the dazzling flash of the cleaver as a Peking duck is carved at tableside or the precise timing of a remark designed to lift a customer's spirits.

As managers, customers and servers themselves begin to recognize the complex mix of natural aptitude and acquired skills involved in serving, a renewed sense of professionalism could take root.

A sound investment . . .

Operators who value good service must take the next step: investing time and money in those who deliver it. This means seeking out people with the potential to become excellent servers. As Bill Zehnder puts it, "You can teach them where to place the coffee, but personality and enthusiasm are another thing. You can't give a server that spark, that twinkle in the eye" that makes the difference between good and mediocre service.

Selection is only the beginning. "Restaurants need to reward servers with compensatory packages designed to keep them for the long term," suggests Ralph Brennan.

Videotape technology and other developments are laying the groundwork for vastly expanded, cost-effective training programs. But the message as well as the medium must be revolutionized.

Some observers argue that server training programs need to concentrate less on quantitatively measurable aspects of service and more on the qualitative dimensions. "Good service depends on the degree of sincerity shown, the relationship between the server and the customer. You can't put a handle on it, but you know when you've got it," says Donald Smith. He once fumbled for a penny at a Kentucky Fried Chicken unit, while trying to avoid breaking another dollar. With a flourish, the server supplied the penny out of her own pocket. "Such a little thing, but I felt more good will for that server and restaurant than you can imagine," he recalls.

The pay-off . . .

The service crisis offers restaurateurs an incomparable opportunity to "get a leg up" on the competition. "People no longer take good service for granted. When service meets or

Participants in NRA's focus group research agree that the server's recommendation was critical to their decision to try a new menu item.

exceeds their expectations, they perceive it as an added benefit," explains Donald Smith.

For servers, gratuities are a built-in reward system for superior service. "Hundreds of times a year, the compliments and insults are right there in front of you on the tip tray. It's instant gratification or mortification," says Janet Murray, head waitress at Gallagher's, San Antonio, TX.

But servers need to know that their efforts and opinions count as much with management as with customers. Managers should devote more effort to praising servers, when their performance merits it, and to listening. Whether in meetings or one-on-one, servers should have a chance to sound off about frustrations and problems. Nor should their ability to offer constructive suggestions be overlooked. After all, servers are in the best position to tell management that last weekend's special bombed with customers or that the kitchen consistently runs out of the signature dessert.

Finally, servers should know that superior performance will win them the offer of a job as maitre d', dining room host or catering manager.

"We promote about 50 percent of our hourly people," says Nancy Kawryga, director of personnel and training, Big 4 Restaurants, Phoenix, AZ. "Some servers don't want the added responsibility of going into management, but others do. The companies with a lot of turnover are the ones that never promote—where servers see their work as a dead end."

Signs of rebirth? . . .

We may never return to the days when the typical server devoted 30 years to the industry. The new prototype may be the person who devotes 5 to 15 years to serving, then moves on to another job, preferably within the restaurant industry.

The success of the Professional Waiters School reveals a lively interest in serving as a career. "Our students are intelligent and well-educated people," says founder Gary Penn. "Many are looking for a new career. They have found that a fancy title like 'account executive' doesn't make up for mediocre pay and work."

The chance to earn a comfortable living, to meet interesting, exciting people and to have a more flexible work schedule are all incentives to become a professional server. But there's something more: "the high" of getting it all done, of accomplishing a complex job well.

"Many owners are no longer willing to settle for someone with a nice smile. They want servers who respect the industry and are knowledgeable, who know how to crumb a table, how to explain how a compound butter sauce is made and how to serve wine properly," says Penn.

With celebrity chefs turning up regularly on television screens and in magazines, are servers on their way to stardom? The public will never be as intrigued by the art of serving as by culinary skills, but some glamour is, indeed, beginning to spill over from the kitchen. Already, top servers and bartenders are featured in city magazines and on talk shows.

Increased recognition by management and the media is certain to boost the image of serving as a profession. But in the long run, negative concepts of servers must be fought from the inside out, by servers who feel and act like professionals. As server Janet Murray says, "It's all in a person's head. If you respect yourself and think your occupation is a worthy one, that attitude comes across to other people." ❑

THE CRISIS IN SERVICE

TRAINING

THE FRANCHISE SOLUTION

by Kathy Boyle

Some training programs—especially those pioneered by the large chains—have succeeded admirably in teaching basic skills and in introducing concrete standards for measuring service.

In the past, restaurant training programs focused entirely on the technical skills necessary to run a restaurant: chopping vegetables at the prep station, refilling the deep fat fryer or stocking the freezer. Today, a growing number of alert restaurateurs are refocusing their training programs to stress excellence in service. This is no mistake. As research studies have recently demonstrated, the public often rates its dining experience by the service received. And that service is not always what it could be. (See preceding article.)

Employee age—one factor . . .

There is a general feeling among industry observers that at least part of the crisis in service is a result of the youthfulness of many foodservice employees. The fast food segment, in particular, frequently provides the first job for a teenager. These young employees often need help to develop successful customer service relationships. Trainers warn, however, not to focus too much on the technical side of service—how to set a table, how to write a guest check—but rather on the more important "people" side of service—the smile, the greeting, the friendliness.

This people approach is common at Domino's Pizza, Inc., headquartered in Ann Arbor, MI (2,900 units) where the average age of an employee is 22½. Elaine Owsley, training coordinator for Domino's, candidly explains, "Let's face it. It's their first job. They are young, and they are not used to considering other people's feelings." That is why Domino's training thrust is to get employees thinking about others. "We keep trying to bring them back to the question, 'How would you want to be treated in this situation?' " says Owsley. "Without talking down to them, we try to translate lofty concepts into situations they understand. Domino's managers talk about customer complaints and problems. "Our goal is to get employees to realize that if the customer is not happy, we'll be out of business, and they won't have a job," adds Owsley.

Kathy Boyle is a free-lance writer in the Washington, DC, area who writes frequently on foodservice topics for ***NRA NEWS.***

Management—not to be neglected . . .

As Domino's demonstrates, a good management team is needed to help hourly employees make the transition into the industry. That is why many operations are building stronger management curricula. At Burger King (headquartered in Miami, FL; 4,527 units), this year's advanced courses emphasize the "people" side of the operation. In 1986 the chain will offer a five-day course called "People—The Winning Edge" 24 times. According to Cheryl DePhillips, professor at Burger King University in Miami, FL, the curriculum is geared to "conceptually open a manager's eyes to the interpersonal skills of management."

Trainers admit that many experienced managers become "too routinized, too rigid and too production-oriented." Retraining gives managers a chance to reconsider the exceptional or nonroutine service experience that can distinguish their unit from their competitor's. Also, retraining is important to rebuild their enthusiasm, pride and sense of belonging, which they may eventually share with their staff and customers.

A solid foundation . . .

Retraining programs, of course, only make sense if there has been a solid training program at the time of employment. The franchise industry has made its mark by its successful "tell, show and do" approach to training.

Even when they downplay the more formalized, step-by-step, do-it-by-the-company-manual approach, in some form or other all training programs teach standardized procedures similar to those in a manual to reinforce company procedures. Often this means total immersion in a training program for a two to eight-week period with a follow-up apprenticeship for up to two years. The standard program includes a period of hands-on, in-store training to get the trainees' feet wet, time in the classroom and then more training on-site.

At the Friendly Ice Cream Corporation (headquartered in Wilbraham, MA; 720 units), no distinction is made between management and hourly trainees during the first six weeks of training. Would-be managers must work every position until they achieve a specified level of competency. Knowing such skills as how to wait on customers, how to operate the grill and how to manage the inventory is necessary to build credibility, according to Robert F. Wickstrom, manager of Friendly's management training program. In addition, this hands-on training helps managers recognize problems.

Not only must the trainees learn the skills for themselves, however, they must also be able to teach those skills to others. From the second week of training, Friendly's requires that management trainees teach other staff members what they learn.

After the new trainees understand the skills required, they are given responsibility for planning a shift, from scheduling to supervising. Then at a later date, they attend a follow-up workshop to consider management techniques which might have made planning and running the shift easier. An experienced trainer guides discussions. "If there were hourly workers who came late," says Wick, "the discussion may center around various options for what to do when employees are tardy. They may share ideas for building employee enthusiasm, which may be lacking, and which may be the real, underlying source of the lateness. Or they may be given suggestions on how to help an employee with scheduling problems, such as finding a backup ride to work or locating a qualified babysitter."

Depending on the company, filmstrips, videos, group exercises, or roleplaying could substitute for the discussion used at Friendly's. Integrating hands-on training with follow-

up management training is rapidly becoming the norm. The idea is to cultivate thinking employees who understand people and service, combining the two together. Knowing customer expectations also helps. A company may know from its market research data, for example, that its typical luncheon customers expect to be served in three to four minutes from the time they place their order at the counter. Sharing this information with trainees helps them understand what is expected of them and why customers may be disgruntled when their orders are delayed.

Building pride—worth the money . . .

One important objective that could well be emulated by others is the attempt by franchises to build employees' pride in their companies. Pride is worth the expense of training—even in plush surroundings, admits Billie Brown, manager of media relations for Kentucky Fried Chicken (headquartered in Louisville, KY; 6,300 units). Time devoted to building company spirit during training "becomes a self-fulfilling prophecy," she says, because a new manager's enthusiasm spreads to the rest of the team when he or she returns.

Company pride is built by individualized attention to students during training and careful study of the company's facilities.

Top management's involvement in the training program is also important. Despite the overwhelming size of the McDonald's Corporation (headquartered in Oak Brook, IL; 9,000 units), top management attempts to develop and keep strong ties with managers, even as they begin their initial training. "We are a very grassroots company," says Terry Capatosto, media relations manager. "Our president started out as a grillman making 85 cents an hour. And we realize we must support our first-line employees. We never lose sight of their problems."

DePhillips of Burger King University concurs. She explains that the company does not differentiate between seminar registrants, "This past April our CEO registered for a course like evervone else."

Red Lobster waits until the 14th week of training to bring management trainees to company headquarters in Orlando, FL, but once there, trainees are routinely scheduled for a welcome dinner the first night. The following morning they are welcomed by the company's executive committee at a breakfast where the various officers share their philosophies as well as long and short-term company goals. "It really gives them a boost," says Ray Kavanaugh, director of human resources for Red Lobster, "and reinforces what they have been hearing during their training. It is our chance to drive home our key training issues."

In sum . . .

The current emphasis in foodservice training combines the older, familiar "hands-on" approach with management skills training. The goal is to develop thinking, flexible, problem-solving managers capable of communicating hospitality expectations to their employees and providing the "exceptional service experience" expected by today's customer. ❑

NRA develops video training library

Although restaurateurs have struggled for years to find the right formula for staff training, a lack of time, expertise and funds has confined much of the industry's training to on-the-job hard knocks. This practice may be changing as more operators discover video.

Because NRA is convinced that video training is a ready-made recipe for training, it has developed a video training library. The first four tapes in this library were released in January and focus on front-of-the-house waitstaff training. Another four-tape series on back-of-the-house skills will follow in June. Later series will be announced.

"Industry estimates reveal that the costs of replacing an hourly employee range from $500 to $2,500. Traditional training methods account for a majority of that cost. Video training can reduce those figures substantially," maintains NRA Education Program Director Larry Fidel. Video training provides the entire standardized training package. "With one simple review of the materials, an operator, manager or trainer is ready to conduct a training session or turn the program over to an employee for self-instruction."

Each NRA training program includes

- the videocassette (12 to 17 minutes)
- the leader's guide, complete with employee-student exercises and answers as well as
- the employees' course materials and folders.

The program can be used as part of an orientation program for each new employee or as a refresher course for the entire staff.

Basic waitstaff skills . . .

NRA's first videotape training series, *Waitstaff Training*, covers the basic skills necessary for professional servers.

"Service Part 1" focuses on waiter/waitress preparation, customer greeting and order taking—all designed to guarantee that the waitstaff creates a positive dining mood for customers.

"Service Part 2" concentrates on the skills necessary for serving the meal, maintaining service, presenting the check and saying farewell. Employees have an opportunity to discuss actual service techniques.

"Winning Tips," the third tape in the series, explains and demonstrates the advantages of suggestive selling. Student exercises are designed to illustrate that suggestive selling can boost employee tips as well as increase customer satisfaction.

Tape four, "Teamwork," demonstrates the payoffs of working together as a team. It focuses on the key role each restaurant employee plays in making the restaurant a winner. Each tape is sold individually and as part of the four-tape series.

NRA's first venture into video training was well researched and planned. A committee of industry advisors worked with the education programs department to select the training subjects. During the development stage, a committee reviewed program development to ensure applicability to a wide variety of restaurant operations.

For more information, contact NRA's education programs department in Washington, DC.

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-STORES

Moving into the Fast Food Lane

by Anne Papa

[redacted] dozen years ago, the sale of fast food items in convenience stores represented only 1.5 percent of total convenience store (C-store) sales nationwide.

By 1980, that figure had risen to four percent.

Today, the sale of fast food items in C-stores accounts for a whopping 9.7 percent of total sales—almost three million dollars of profit in a three billion dollar industry.

"The steady increase in in-store growth of fast food, coupled with the healthy overall growth of our industry, has given C-stores a confident position in the total fast food market," reports Kerley LeBoeuf, president and chief executive officer of the National Association of Convenience Stores (NACS) in Washington, DC. And although LeBoeuf estimates that fast food growth in C-stores should stabilize at the current 10 percent level, the fact remains that C-stores have become a fast food force to be reckoned with.

"We definitely view fast food restaurants as our competitors," says Steve Schwitalla, senior vice president of foodservice for Phoenix, AZ-based Circle K Corporation, the second largest C-store chain in the country (3,160 units). "Every time a customer buys food at our stores, that's a meal the fast food chains didn't get."

Pat Morrison

C-stores offer "something for everyone" . . .

Schwitalla attributes Circle K's initial entry into the fast food market 10 years ago to the company's desire to provide "something for everyone. The traditional C-store customer is the 18 to 34-year-old, blue collar male," Schwitalla explains. "By introducing fast food in our stores, we hoped to attract the 'non-traditional' customer—women and older or younger patrons."

"Initially, many fast food purchases in C-stores were made on impulse," explains Kerley LeBoeuf of NACS. "A customer who came in for a carton of milk would buy a deli sandwich because it was a lot easier than stopping again somewhere else." In this manner, C-stores were able to build their fast food image—and, eventually, become a destination stop for fast food customers.

Indeed, it is C-stores' track record of providing convenience, fast service and variety—"something for everyone"—that originally paved the way for success in the fast food market. Consumers who depend on C-stores for one-stop shopping and in-and-out service regard fast food as a natural extension of those services.

Convenience. Research conducted for Circle K found that 70 percent of the customers who shopped at Circle K outlets did so primarily for convenience. This is true for the fast food customer as well as the grocery shopper or person who stops for gas. "We have more locations in each major city than do most fast food chains," says Steve Schwitalla. "That means we are literally right around the cor-

Popular fast food items in C-stores

Fast food represents 9.7 percent of all C-store sales. Of that percentage:

- 2.4 percent of sales are fountain drinks
- 1.7 percent are fresh made sandwiches
- 1.3 percent are deli items other than sandwiches (salads, etc.)
- 1.2 percent are frozen sandwiches
- 1.2 percent are hot beverages
- 0.5 percent are frozen beverages (slushes, etc.)
- 0.2 percent are food items cooked on-site (fried chicken, nachos, etc.) and
- 1.2 percent are all other fast food items.

Source: National Association of Convenience Stores, *1985 State of the Convenience Store Industry.*

ner from many offices or neighborhoods."

Doug Reed, assistant manager of media relations for Southland Corporation (Dallas, TX), which operates 7,500 7-Eleven stores in the United States and Canada—the largest C-store chain in the country—also attributes the chain's fast food success to high market penetration and visibility. "Customers are going to make a choice—either they'll come to us or go to a fast food restaurant," he reasons. "Because they see 7-Elevens all over the place, they'll come to us. We are simply easier to get to."

Reed also points out that many C-stores stay open 24 hours, thus making them more convenient for customers. "Long after many fast food places have closed for the night, there are a lot of hungry people still out there," he says. "A quick stop at a 7-Eleven is a lot more appealing than preparing food at home."

And not to be overlooked is the one-stop shopper who likes picking up a quick meal and a few groceries all at one location. In fact, many C-store owners maintain that this aspect of C-store service gives them the edge over fast food restaurants. Asks Randy Fulkerson, vice president of Huck's Convenience Stores (Carmi, IL-based; 112 units), "What type of fast food restaurant can also offer a carton of milk, a choice of magazines or a tank of gas?" Fulkerson estimates that many shoppers are looking for both fast food and traditional C-store items. "They'll come in for a sandwich, but they'll leave with a bag full of grocery items," he observes.

Variety. Just as customers expect to find one of everything on C-store grocery shelves, so have they come to expect a wide variety of fast food items. Fountain drinks are the highest selling fast food item in C-stores, according to NACS (see chart), with fresh sandwiches running second. But beyond these traditional items, C-store operators are serving a variety of foods designed to lure today's discriminating consumer:

- 7-Eleven has introduced *fresh produce* (mainly apples, oranges and bananas) in some units to appeal to the female nutrition-conscious consumer. The company is also test-marketing *on-premises bakeries* in 50 stores in Austin, TX. The bakeries specialize in sweet rolls, donuts, cakes and pies—fresh-baked items that may appeal to the same female consumer. (See February 1986 ***NRA NEWS*** article on dietary schizophrenia.)
- Circle K franchisees around the country serve a core menu of 15 *fresh sandwiches*. But in addition, operators in each state have "elective" regional menu items to choose from. In south Florida, for instance, Circle K's "Cuban sandwich"—roasted pork, cheese and luncheon meat on unleavened bread—is a big seller. In Texas, a barbecue beef sandwich is a popular favorite, but in the Southeast—"where you couldn't *give* barbecue beef away," according to Steve Schwitalla—a barbecue pork sandwich makes the cash registers sing.
- In Seattle, WA, a three-unit C-store chain called Little Biscuit Deli-Markets could easily hold its own with *gourmet* carry-outs or specialty shops. Explains owner Steve Broetje, "We've taken the traditional C-store image and upgraded it." Fast food at the Little Biscuit stores consists of fresh deli sandwiches made to order, quiches, soups, fresh baked items and hand-dipped ice cream. Even the coffee is fresh ground daily. "It's an upscale touch that doesn't cost us an extra penny," says Broetje.
- Finally, even C-store owners who stick to the basic fast food items—fresh and frozen sandwiches, pastries, hot dogs rotating on a grill, nachos and hot or cold beverages—offer customers the option of *customizing* their own meals. Self-serve ice machines and condiment stands let customers orchestrate meals that are exactly to their liking.

Fast service. Both fast food restaurants and C-stores have built reputations on their ability to provide fast

"We definitely view fast food restaurants as our competitors. Every time a customer buys food at our stores, that's a meal the fast food chains didn't get."

"Long after many fast food places have closed for the night, there are a lot of hungry people still out there."

"Extra labor is a fact of life for fast food service. That is why not all of our stores offer fast food."

service. Some C-store owners maintain they have the edge in this crucial area also because C-stores are specifically designed to serve carry-out meals. "The average Circle K customer is in and out of our stores in two to three minutes," says Steve Schwitalla. Doug Reed of 7-Eleven agrees. "The absence of tables in most of our units makes it clear to customers that we are geared toward carry-out. Obviously, getting food to go is much quicker than lingering at a booth."

Even in stores that do have booths or stools, such as Cumberland Farms convenience stores (Canton, MA-based; 1,170 units), customers are not likely to linger. "The tables may be filled during prime meal times, but generally people use them as 'prep' tables— adding cream to their coffee or mustard to their sandwiches," observes David Alger, director of store marketing. "The majority of our customers are buying food to go."

But there are drawbacks . . .

In addition to creating a new profit center for their businesses, however, many C-store owners acknowledge that fast food service creates its own set of problems. Says Kerley LeBoeuf of NACS, "Many C-store innovators are recognizing the drawbacks of fast food service. Some are even reducing or discontinuing it. There is a lot of used restaurant equipment for sale in C-stores."

Chief among the drawbacks is the fact that fast food service is much more labor-intensive than traditional C-store service. Says Gene Clark, director of marketing and advertising for Jitney Jr. stores (Jackson, MS-based; 436 units), "Extra labor is a fact of life for fast food service. That is why not all of our stores offer fast food. We weigh very carefully whether profitability will offset added costs before introducing fast food in a unit." Randy Fulkerson of Huck's concurs, "Fast food service not only requires that more employees be on hand, but the training of those employees is also much more intensive." He adds that fast food preparation requires a more specialized employee. "If you sell a bad can of pork and beans, it doesn't reflect poorly on your store. But if your employees make a bad sandwich, you are held responsible in the mind of your customer," he explains.

The extra work for employees does have its advantages, however. "It gives your clerks something else to do," says 7-Eleven's Doug Reed. "Added labor means added security," points out Steve Broetje of Little Biscuit Deli-Markets, because more employees are in the store. And at Cumberland Farms, most fast food preparation is done at a central commissary, with items shipped out daily to all units." "We are able to pool labor and minimize cost by centralizing preparation," maintains David Alger.

Equipment costs, space limitations and increased sanitation requirements are other obstacles to fast food service. "Before getting into or expanding fast food service, C-store owners must evaluate all factors, both positive and negative," advises Kerley LeBoeuf. "Then they must determine at what percentage fast food stops being profitable and starts being detrimental." Many major C-store companies fall in line with NACS' national average, with approximately 10 percent of their businesses devoted to fast food.

In sum . . .

C-store owners are not likely to be knocking down grocery shelves to make room for 100 percent, full-fledged fast food operations in the near future. But when evaluating the marketplace, foodservice operators would be wise to recognize C-stores as significant competitors in the fast food market. ❑

"What type of fast food restaurant can also offer a carton of milk, a choice of magazines or a tank of gas?"

"Many C-store innovators are recognizing the drawbacks of fast food service. Some are even reducing or discontinuing it. There is a lot of used restaurant equipment for sale in C-stores."

"Customers are going to make a choice-- either they'll come to us or go to a fast food restaurant."

Planning the Restaura

by J.M. (Woody) Woodburn and Rohit Bhayana

By definition, a prototype is the first of its kind, a model upon which succeeding units are developed. In foodservice it represents the first of a series of establishments. That is why the thought and planning process for the prototype must be highly detailed, systematic and well thought out, leading to a comprehensive concept that can be replicated at a reasonable cost. For example, the menu should include fully tested and standardized recipes that can be adapted to different markets, a logo should anticipate applicable uses, and management systems must be created for multi-unit management.

I. Concept Development

Preliminary meeting . . .

The first step in planning a prototype is to bring together the owner/developer and those professionals who will be involved in designing the restaurant, such as a foodservice management consultant, a food facilities (kitchen) designer, an interior designer, an architectural/engineering firm, a market/feasibility consultant and an advertising firm. The purpose of the meeting is to make preliminary concept decisions. Specifically, the meeting should

- develop a timetable for the project
- assign responsibilities to team members, with one person acting as the project manager to oversee and monitor overall progress,
- discuss the concept's perceived market and future growth prospects and
- determine some specifics, such as the type of structure (freestanding or part of a building) and the menu.

Market and feasibility study . . .

Next comes an in-depth look at the potential market and the ability of that market to financially support the type of menu offered at the prices determined. Such research may include a survey of residences and businesses in the potential market as well as competitive facilities and/or concepts. It also will consider specific area-related costs, such as labor and taxes.

Conceptual program . . .

The results of the preliminary meeting and the market and feasibility study form the basis for the conceptual program, which becomes the working blueprint for the project. The program should outline preliminary spatial allocations, menu ideas, style of service and interior design elements. The document should be reviewed by all team members.

Design development . . .

The design program expands upon the conceptual program with such details as operational requirements, needed storage space, patron traffic flow, quality of equipment and furnishings, food handling requirements and special equipment needs.

It leads into four additional programming steps:

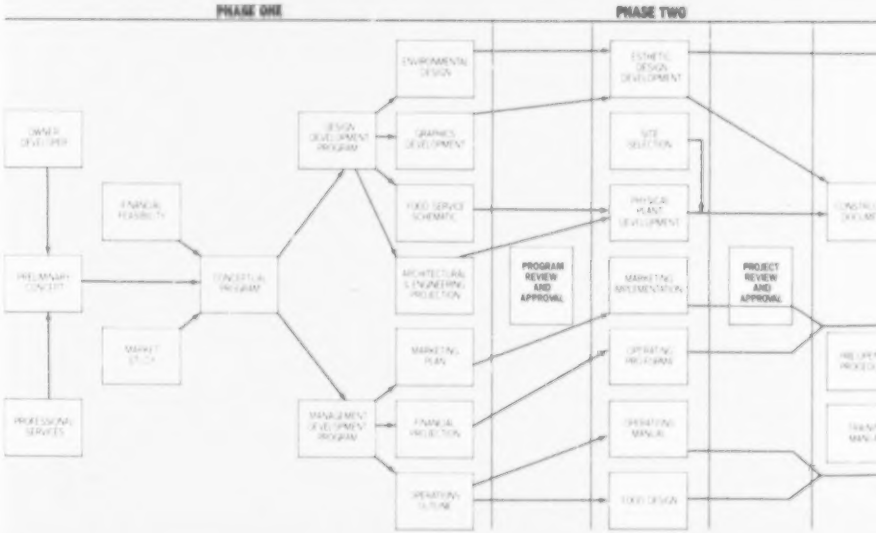
- **Environmental design.** Sample boards and design sketches should be developed to allow evaluation of alternate approaches in the use of color, materials, lighting and other design components.
- **Graphics development.** The all-important logotype and restaurant name must be developed as well as supporting uses of the logo and other graphics in such things as menu boards, napkins, disposable cups, promotional materials and interior signage.
- **Foodservice schematics.** Space utilization schematic layouts should be developed to include the proposed functional relationships of all food areas from storage through production and service areas. These layouts are used later when considering equipment layouts.
- **Architectural/engineering projections.** Electrical, mechanical and structural requirements must be considered, such as requirements for water, electricity and sewage handling. Although these requirements are developed for use in the prototype unit, they must be designed to accommodate a multi-unit expansion program.

Management development . . .

The management development program details management controls, potential food purchasing procedures, desired food and operating cost figures and preliminary personnel requirements. Specific elements of the program include

- **a marketing plan and schedule.** A comprehensive marketing plan should include pre-opening activi-

Phased Prototype Dev



J.M. (Woody) Woodburn is a vice president and Rohit Bhayana is an associate of MDR Associates and the Food Design Workshop in Fairfax, Virginia, a professional hospitality management consulting firm, specializing in restaurant and menu development and kitchen design.

nt Prototype

ties, startup activities and activities once the operation is off and running.

- **financial projections.** The financial projections grow out of the feasibility study. They should include capital requirements, a budget and profit projections for both the prototype unit and future expansion requirements.
- **an operations outline.** This is the final component of the first phase of the prototype planning process. The outline should cover all facets of the operation that may affect the eventual design, including food purchasing, receiving and storage, sanitation requirements, operating hours, meals served and the number of employees needed to effectively operate the unit.

II. Operations and Design Development

Phase two involves the actual development of the design and a refinement of operating details. It includes

1) **aesthetic design development,** including
   - interior floor and seating plans
   - design sketches, especially of critical public areas
   - furniture, color and material boards of all critical areas
   - preliminary budgets for furnishings and fixtures and
   - final design development of all graphic materials, including name, logos, signage and printed materials.
2) **finalized site selection.**
3) **physical plant development,** such as kitchen drawings, equipment brochures and utility schedules that define the restaurant's physical arrangement.
4) **implementation of marketing plan.**
5) **operating pro forma** which estimates the restaurant's first year operating performance. This requires such information as the number of covers served during each meal period, the average check and expected expenses.
6) **operations manual.** All operating procedures and policies should be documented in a manual, which can provide a comprehensive, consistent source of reference. It should define authority and the distribution of responsibility, eliminate the necessity of repeating orders and directives, reduce employee training time and ensure continuity of management. Some of the areas which need to be covered in the manual include
   - job descriptions
   - personnel policies and procedures
   - production and service techniques and
   - control systems, including payroll and internal controls.
7) **food design.** The food design step consists of menu development and pricing, recipe testing, standardization and costing. Important factors to consider are
   - ease of preparation
   - a workable recipe format
   - maintaining an acceptable and specified raw cost of goods percentage
   - efficient use of equipment and physical facilities
   - control of waste and spoilage and
   - minimizing management involvement in food preparation.

This ends the second phase of the prototype planning process. Hold a project review and approval meeting at this point because the largest portion of the project expense follows.

III. Construction and Implementation

At this point construction begins, based on the architectural/engineering drawings and interior design plans.

The architectural/engineering drawings detail the electrical, mechanical and structural requirements of the building as well as landscaping and civic engineering plans.

The interior design drawings include: final floor plans, surface characteristics and materials, design details of all special fixed interior-architectural elements, final reflected ceiling plans, schematic lighting plans and electrical outlet plans to be incorporated into the architectural plans, color and material plans as well as precise specifications of all furniture, furnishings and equipment.

The facilities design elements consist of locating all building requirements to accommodate the equipment, plumbing/electrical connection plans and other miscellaneous drawings, such as exhaust hood, refrigeration and/or utility distribution system drawings.

Contractor selection . . .

Depending on the project, the construction documents may be issued for competitive bid. The bids would then be evaluated and reviewed resulting in the selection of a qualified contractor for the project.

Pre-opening procedures . . .

At this time, a pre-opening plan should be developed to include a pre-opening schedule with a timetable of events and assigned responsibilities. Arrangements must also be made for personnel hiring, based on the staffing schedule previously prepared. A training program should be finalized and a training manual should be prepared with both instructor guides and employee workbooks.

IV. Expansion Program

Phased, controlled prototype development will lead to a successful, well thought-out restaurant concept package, which is adaptable to various markets.

However, expansion into succeeding restaurants should not be rushed. It should be based on financial resources, percentage markets, specific sites and availability of corporate manpower to monitor growth. ❑

Bye Bye Plastics, Hello Natural

Fast Fo

Psst . . . there's a change afoot in the fast food look. Plastics, hard seats and bright yellows, reds and oranges are becoming a part of fast food history. A new era in fast food design has begun—a look that is subtle, natural, comfortable and much more upscale.

A Southwestern decor, featuring arched doorways and complementary accessories, is one of Kentucky Fried Chicken's new design options.

The menu is familiar, but the look is definitely new. The colors are subtle—sky blue, white and black—not the traditional bright yellows and reds. Inviting blue/grey banquettes and natural ash chairs dot the airy two-level dining area, replacing the usual plastic seats. A blue, white and black geometric tile floor adds a dramatic flourish. And for a dazzling finish, ribbons of cool blue neon snake through steel counters and around the shiny ceiling.

Is this a new upbeat restaurant concept? Upbeat, yes. New concept, not exactly. The golden arches—small and outlined in gold leaf—reveal the restaurant's familiar, but somewhat unexpected, identity.

Scheduled to open this winter in Rockefeller Center, New York, NY, this new 250-seat McDonald's typifies the direction of design in the fast food sector. Set aside are "assembly-line" looks. In their place are decors that reflect the style and direction of designs popular in the full service sector.

"People are paying more and more attention to design," maintains Ellen Christophe, president of the Ellen Christophe and Associates design firm in Venice, CA. "Operators want something catchy that will give them an edge over their competitors." Design seems to be an important part of that something extra. According to Larry Fournier, director of facilities planning for Rax, the 510-unit Columbus, OH-based chain, "Design is probably more important today than it ever has been because people are not only carefully choosing the menu items they want but also the feeling they get from an establishment."

Consequently, his company—and other fast food operations—are trying to ensure a distinctive look for their restaurants.

- Rax has moved away from the atrium design that has been the chain's hallmark since 1981 because the design has been absorbed by other fast food operators. In its place is a new homey cafe atmosphere, enhanced by distinctive awnings, graphics, larger windows and a more subdued color combination. Plum or maroon and beige are replacing the earth tones that complemented the natural ambiance developed around the atriums.
- At Burger King the change has been "toward an upscale, bright and airy look with a warm, eclectic Old

od Design

by Cecelia Niepold

English pub atmosphere," explains Jim McMillan, Burger King's manager of design. The 4,527 unit chain, based in Miami, FL, spent two years studying customer preferences. The extensive survey showed that consumers wanted more wood, light colors, brass accents, etched and beveled glass, carpeting and less fluorescent lighting—changes that have been incorporated into its redesign package.

• At Bojangles (330 units, Charlotte, NC) a new decor package has been designed to complement the broadened menu, which now includes salads and sandwiches. The new look reflects the company's intention to appeal to a more sophisticated audience. Subdued burgundy, spruce green, mandarin orange and parchment-colored accents highlight the new interior, which features carpeting, oak tables and chairs, larger windows and an acoustical tile ceiling.

The new look—up close . . .

As these examples suggest, there has been a move in the fast food sector to create more upscale environments. Accents are becoming more natural, textured and sophisticated. Although the mixture of components can vary markedly, certain design elements are quickly becoming part of today's updated look.

Color usage, for example has become more subtle. "Most people want to get away from the idea of fast food, fast colors," explains Charles Morris Mount, president of the Charles Morris Mount design firm in New York, NY. Although quick service remains a priority, operators are no longer focusing on vibrant reds and oranges to encourage turnover. "We are not putting red wallpaper on the walls," laughs Burger King's Jim McMillan. "We don't want people to sit all day, but we do want them to eat, feel comfortable and then leave."

In general, operators are choosing more subdued color palettes, such as blues, mauves and grays. Rax, for instance, chose its plum motif because the color suggests an upscale restaurant, not a "typical" fast food eatery.

Chairs and tables also have become more inviting. Operators are replacing hard plastic seats with more comfortable, natural-looking wooden chairs. To add an upbeat touch, chairs are often accented with patterned vinyl-covered upholstery and tables are brightened with fabric insets covered with protective materials for easy maintenance.

In addition to comfort, designers are focusing on seating efficiency. To prevent under-utilized tables, four-tops are being divided into two tables separated by a small open space. Freestanding chairs, rather than permanent, "bolted-down" seating, create additional flexibility. Stools and counters are also being used to accommodate small parties and single diners. For instance, a McDonald's in Vineland, NJ, contains oval counters surrounded by freestanding wooden chairs—comfortable seating for both singles and larger parties.

Lighting is drawing more attention. Operators are toning down bright fluorescent lights and opting for softer effects. Subtle, less harsh lights create a more inviting ambiance and are more complimentary to food and skin tones. Jazzy splashes of neon, marquee-like lights and colored spotlights focused on greenery add dramatic touches.

Oval counters surrounded by freestanding wooden chairs provide comfortable seating for both singles and larger parties at a McDonald's in Vineland, N.J.

Whenever possible, designers are opting for natural lighting or are installing big bright windows, skylights and greenhouses to provide a feeling of spaciousness. These designs are popular with customers. According to a study by Hamill & McKinney Architects & Engineers, Inc. (Lexington, KY), more than three-quarters of all restaurant patrons prefer a window seat.

Floors are being used more creatively as well. Carpeting has become popular, not only because it suggests a comfortable environment but also because it helps reduce noise levels.

A floral-patterned stained glass ceiling and wrought iron fixtures highlight Wendy's historic adaptation in New Orleans, LA.

Three creative design adaptations

Snazzy and sophisticated, these three design treatments illustrate some of the creativity occurring in fast food design.

Historic adaptation. Mike Culver, project director for the 26-unit Wendy's of New Orleans company, is doing his best to refute customers' perception that fast food restaurants are just "plastic square boxes." His method: creating fast food decors that mirror their neighborhood's historic ambiance.

For instance, he recently turned a 160-year-old townhome near New Orleans' French Quarter into a modern 300-seat eatery that reflects much of the building's original architectural charm. The era's central garden motif is echoed by the 300-square-foot floral-patterned stained glass ceiling. Wrought iron fixtures, authentic brick accents, natural-looking wood tables and lots of greenery add to the ambiance as does a second-floor balcony that overlooks the spacious interior.

Market adaptation. Brad Elias, co-principal of Hochheiser Elias Design Group, Inc. in New York, NY, didn't follow any established parameters when designing a McDonald's for the local market in Wrightstown, NJ. Because of its location between two military bases, the restaurant's clientele is primarily composed of young military personnel. Elias reasons, "Why not go for something they would look for when they go out to be entertained?"

Consequently, the design suggests a lively disco ambiance. For instance, a diamond-shaped gazebo (with seating inside) is the interior centerpiece. Bright salmon neon outlines the top of the deep blue structure, adding a striking, unexpected dazzle. Large "cut out" windows add to the geometric open design. Abstract columns topped with triangular capitals illuminate the corners and are emphasized by the slick blue and white vinyl panel wall coverings.

Because many children live on the bases, the eatery also includes a Ronald's Room in the back of the restaurant. The central focus is a mural containing Ronald McDonald sliding down a multi-colored neon rainbow.

Space adaptation. Ellen Christophe, president of Ellen Christophe and Associates in Venice, CA, has incorporated open preparation areas in her fast food designs. "Open kitchens are common in a lot of high-end restaurants but not in many fast food operations," she maintains. "So we decided to try it."

Singapore Satay, a new Indonesian fast food concept in Los Angeles, CA, features an open kitchen with a difference. A curving wall, dividing the kitchen from the ordering area, encases an eight-foot long window that allows customers to see the food preparation area. The unusual window design serves two functions. It allows the public to see the clean, simple preparation techniques, and it makes the small 1,100-square-foot space seem larger.

Brass and wood accents add to Burger King's new airy, upscale look.

To add pizazz, many operators are turning away from "institutional-looking" solid tones and are choosing subtle patterns to mirror their store's general decor. All carpets are chosen with durability in mind, of course, to withstand the wear and tear of high traffic and strong cleaning materials.

Dramatic tile combinations are also being used to create more up-to-date looks as well as to subliminally direct customer traffic.

Efficiency plus aesthetics . . .

Effective space plans have also become a top priority in design packages. Besides adding ambiance, design elements are also being used creatively to boost operational efficiency. For instance, Bojangles replaced its tile walkways with carpet not only to produce a more upscale look but also to create a more workable, open seating area. Similarly, bulky "hostess trash units" are being replaced by smaller self-service containers to add more space as well as to increase dining room efficiency.

Design elements should help, not hinder, productivity. "Know what you want functionally before you decide on specific aesthetics," cautions Ron Conizares, owner of Le Cafe Restaurant Group, a three-unit salad, sandwich and bakery fast food operation in New York, NY. "I literally laid pieces of paper out on the floor to see how the space would work," he says.

Building efficiency. Another chain, the 1,550 unit Atlanta, GA-based Arby's, has also coordinated operating and aesthetic design changes. "We wanted to change our image. But while we were doing that we looked at the operating end and started by standardizing our kitchen design," says Ira Hermann, senior vice president.

Besides boosting kitchen efficiency, the company also wanted to develop a design that could easily be adapted to different restaurant sizes. Consequently, its new Series 2000 prototype features three modular units with seating for 44, 80 and 106—adding valuable flexibility while still maintaining the cost-effectiveness of a uniform kitchen design.

Variations are encouraged . . .

Perhaps as significant as the changes themselves are the departures from the prototype design. Although many chains have tried to develop a look that works with customers nationwide, many are no longer demanding that all units follow the prototype faithfully. In fact, chains are encouraging variation so that their stores do not look like they have been stamped from the same mold. The goal is for a unit's decor to be compatible with the look and tastes of the surrounding community.

Often variations take the form of personalized accents, such as regional or local artwork of area sports teams and familiar landmarks. "Customers feel more comfortable if they see something they know," explains Earl McKinney, co-principal of Hamill & McKinney Architects and Engineers, Inc. "They are more interested in pictures of their local community than artifacts from other places."

In some cases the variations are even more substantial, including architectural changes from unit to unit. For example, Kentucky Fried Chicken (6,300 units; Louisville, KY) opted for diversity from the start. Its new "Colonel's Classic" design program includes a number of options, each geared toward a different market. There is a Southwestern-flavored package that includes Moorish-looking tiles, arched doorways and ceiling fans. More traditional Southern version features brass, pine and "Victorian gingerbread" fixtures with cranberry and light blue accents. Another more jazzy "urban" decor has touches of bright orange neon, counters, stools and upbeat pendant lighting.

Although each look is different, the KFC image is still clearly communicated through familiar signage. "We wanted to be a good neighbor, to be compatible with an individual community's looks—without losing our image," says Billie Brown, manager of media relations.

Even within the same city, design can be used to adapt to different customer markets. Papaya King, which has been serving frankfurters and natural fruit drinks to New Yorkers for 53 years, recently expanded to a fourth location in Manhattan. President Peter Poulos wanted an updated look to appeal to the new store's "Bloomingdale's" clientele.

Consequently, the new unit, while retaining the concept's tropical flavor, has a sophisticated twist. Neon-outlined fruit (rather than the original cardboard signs) identify the tropical fruit drink options and jungle-like wallpaper brightens the counters, replacing the bamboo woodwork of the other shops. The whole look is fresh, clean and contemporary.

Are changes paying off? . . .

Are the changes paying off for fast food operators? Apparently so. Some franchises report sales increases range from six percent to as high as 18 percent.

Even when the effects cannot be measured in dollars and cents, one thing is certain, the new designs in the fast food industry have given this segment a more contemporary—and inviting—look. ❑

THE PROBLEM AND PROMISE OF GLASS

by Bradley Davids

In the past few years a number of technical innovations in glass and window design have made windows more energy efficient, reducing energy costs and increasing comfort levels in buildings.

Why glass . . .

In addition to satisfying man's psychological need to see outside, the use of glass in a building allows natural light to come inside, often reducing the need for extensive artificial illumination. Current studies indicate that the increased use of artificial lighting generates additional heat that taxes a building's cooling system, increases the lighting bill and also reduces productivity in offices deprived of natural light.

For smaller buildings where heating in winter is the primary energy problem, the use of glass can assist in heating the building by capturing the sun's energy. During moderate weather, the opening of operable windows provides ventilation and cooling.

Finally, for some retail operations, especially fast food outlets on the street level of commercial buildings, large amounts of glass allow potential customers on the street to easily see that the establishment is.

Glass problems and traditional solutions . . .

So, if glass is so desirable, why are windows often such an energy problem? The unfortunate reality is that traditional glass performs poorly in weather requiring inside heating or cooling.

The most easily recognized shortcoming of glass is its propensity for heat loss in winter. A single pane of glass (¼" thick is typical of most commercial building windows) creates energy problems when outside temperatures drop.

The colder the outside air, the colder the temperature of the window's inside surface. The colder the inside surface of the glass, the greater the temperature difference in relation to

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Bradley Davids is director of marketing for Southwall Technologies in Palo Alto, CA.

the air temperature of the room. The greater the temperature differences, the more quickly heat is lost through the glass, and the harder a building's heating system must work to maintain the room's air temperature at what building occupants perceive to be a comfortable level. The government has estimated that the equivalent of 1.7 billion barrels of oil are wasted every year as energy lost through windows.

In some buildings a second piece of glass called a storm window is attached for the winter season. Of course, attaching and then removing storm windows is not practical for large buildings.

Insulating glass . . .

The best traditional solution to heat loss through single pane glass has been sealed insulating glass, commonly called double pane, which was patented in 1865. In a double pane window, two pieces of glass are fitted together by the manufacturer (for optimal reduction of heat transfer, the air space between the two panes is approximately ½ inch). The glass is held together with an airtight seal that prevents moisture from entering the air space between the two panes.

Using the familiar "R scale" for measuring heat loss (R means resistance to heat flow: an insulated wall typically is R-11), a sealed double pane window is approximately R-2, compared to R-1 for a single pane of glass. Doubling the R-value cuts heat transfer by 50 percent, so the double pane window has half the heat loss in winter of the single pane option.

In buildings in which even more energy efficiency is desired, architects have called for triple pane glass, or three pieces of glass sealed together, separated by two air spaces. (This provides about an R-3 level of insulation, 50 percent better than double pane glass.) In double and triple pane glass, the air spaces between the panes reduce conductive heat loss. Improvements in metal window frames also reduce this conductive loss, especially thermally broken metal frames with non-conductive separation between the inside and outside of the window.

However, it is impractical to utilize more than three panes of glass in a window. The greater the number of panes, the greater the reduction of visible light and the greater the weight of the window. Even three panes is considered too heavy for numerous buildings, making the sealed double pane window the standard option for energy-efficient buildings.

The historic 18th-century Inn at Weathersfield in Weathersfield, VT, turned to Heat Mirror transparent insulation not only to increase guest comfort and slash its energy bills but also to preserve the historic authenticity of the structure.

Drafts and condensation . . .

But double and even triple pane glass do not solve window energy problems. Extremely cold temperatures outside can cause the inner pane of a double pane window to remain much colder than the air temperature of the room. The interaction between warmer air and colder glass creates the phenomenon commonly called a "draft." Drafts are not usually the result of holes in the window but are caused by cold air from the window area falling toward the floor as warmer room air rises.

In restaurants, guests with tables close to windows are directly affected by drafts. One solution has been to install heaters below windows, with the heated air warming the glass to reduce the draft. Unfortunately, not only is much of the extra heat lost through the glass, but the perimeter window heater itself often takes up valuable floor space.

At times, double pane glass also fails to eliminate the problem of condensation forming on the room side of the glass. Condensation occurs when the temperature of the glass is lower than the "dew point" temperature of the air, a common situation in pool enclosures, bathrooms and computer rooms.

Shading and cooling . . .

If cold temperatures are tough on double and even triple pane glass, consider the air conditioning problems of large commercial buildings. In addition to the heat from the sun, large buildings generate internal heat from elevators, computers, artificial lighting and the thousands of occupants within.

Ironically, it is not unusual on a

Large amounts of glass allow potential customers on the street to easily see that the establishment is open for business. That is why the Nation's Restaurant chain in the San Francisco, CA, suburbs has turned to invisible window insulation.

cold but sunny January day in Chicago, IL, for a high-rise building's air conditioning system to be cooling the building's south side while the heating system is warming the building's north side.

Clear double and triple pane glass do not offer much of a solution to the problem of too much heat from the sun. The answer has been for architects to specify dark tinted glass in newly constructed buildings or for building owners to retrofit the windows of existing structures with dark "solar control" films. Large commercial buildings, especially in southern climates like Los Angeles, CA, Houston, TX, and Atlanta, GA, use highly reflective mirrored glass to shade the building from excessive solar gain and thereby reduce the cooling load on the building's air conditioning system.

But what happens when buildings are equipped with tinted or mirrored glass? Darkened glass decreases visibility from the outside and reduces the amount of natural light coming in. In some high-rise commercial buildings in the South, offices are so dark that much more artificial lighting is necessary than if clear glass had been selected. Increased artificial illumination, of course, means higher lighting bills, the generation of more heat and the potential for reduced worker productivity due to the psychological need for natural light.

The "perfect window" . . .

Despite its drawbacks, glass's architectural potential is too great to ignore. Technological advances in glass and window design have, in the past few years, taken us beyond the energy and performance limitations of double and triple pane glass toward the "perfect window." In short, a perfect window is one that contributes to a net energy gain for the building, not a net energy loss.

A look at innovations . . .

The window and glass industry is working hard to develop the perfect window. Some recent innovations include

- **increasing solar gain.** For some small commercial buildings, helping the sun heat the structure can be a window's biggest job. Maintaining high insulation performance without significant loss of solar heat gain is the objective of Sun Gain film by the 3M Corporation. Sun Gain is an invisible coating deposited on a colorless film that is suspended between two sealed panes of glass. The film transmits up to 96 percent of the sun's energy compared to 90 percent for clear glass. Sun Gain insulating units cost more than triple pane but provide the insulation value (R-3) of a triple pane window with only the weight of double pane glass.

Sun Gain windows are most cost-effective in sunny climates on the south side of "passive solar" buildings because these buildings are physically designed to take maximum advantage of solar gain.

- **increasing insulation.** Though only a few buildings in a relatively few climates are ideal candidates for passive solar heating, all buildings can benefit from windows that can insulate more effectively.

Heat Mirror transparent window insulation, manufactured by Southwall Technologies, Inc., Palo Alto, CA, was designed for maximum insulation capability in a clear window. Developed in part at the Massachusetts Institute of Technology (MIT) in Boston, MA, with $1 million in funds from the Department of Energy, Heat Mirror is an invisible, heat-reflective coating on a colorless polyester film suspended equidistantly between the two panes of a double pane window. It reflects heat and transmits light.

But because Heat Mirror is mounted inside the air space, Heat Mirror reduces heat loss not only by heat *reflection* but also by utilizing the two air spaces to reduce heat *conduction*. A window with Heat Mirror has an R-value of 4.3, approximately 140 percent more energy-efficient than double pane glass. Because of the coated polyester mounted inside the two panes, Heat Mirror-equipped glass is more sound resistant than triple pane glass and more resistant to breakage.

Competing with Heat Mirror is the recently introduced low emissivity glass (sometimes called "low-e, high-t"). Low emissivity glazing is double pane glass that has been treated with a colorless, invisible coating only a few hundred atoms thick. Emissivity refers to the ability of a substance to emit heat. Glass with a low emissivity coating will transmit high levels of light but will reflect heat. These windows have an R-level of 3. They cost as much as 22 percent more than conventional double pane windows but provide the insulation capability of triple pane windows but weigh only as much as double pane windows.

Toward the perfect window . . .

Improved colorless, invisible coatings, perhaps deposited on multiple layers of suspended film inside sealed glass, may increase the energy efficiency of windows in the future to the insulation rating of a typical solid wall. ⌟

Fisher's Law #70

Taxing the taxers

Tax time is a taxing time for many people. In the spirit of humble irreverence, I thought you might enjoy the following.

Fisher's Law #70. You may want to pay your taxes with a smile, but I can tell you that they still want cash.

Form 0401
NOT E-Z

PERSONAL INCOME TAX 198A

NAME: Nickname: Middle: First:

ALL ABOUT U

Alias: | List where you wished you lived: | ANTI-SOCIAL INSECURITY NUMBER

Address: | Avocation (Really?) | Market value of residence $

Occupation: | Come on! Be realistic $

Names of current, former and prospective spouses: 1. 2. 3. 4. 5. 6.

FILING STATUS TELL THE TRUTH!

- Single, and love it.
- Married, but wish I wasn't.
- Co-habiting with spouse equivalent
- Married to more than one spouse
  List Names: (starting with your favorite, 2nd favorite, etc.)
- All of the above.

DEPENDENTS IF MORE THAN 99 TEAR UP FORM AND TAKE VITAMINS

- Me
- After ego
- Reincarnated
- Born again
- Split personality
- Check if over 300 lbs.

Insert age (you look older!)

Check if you have had a face lift or tummy tuck

LIST NAMES OF FOLLOWING DEPENDENTS:

Mothers-in-law	Lazy relatives	Pets	Pests	Creditors

TOTAL NUMBER OF DEPENDENTS

WHERE YOU GOT IT & WHERE YOU PUT IT

A	Income from underground economy
B	Income from overground economy
C	Gambling winnings (Hooray!)
D	Pop bottle returns (Burp!)
E	Interest and dividend income (Tell the truth!)
F	Value of coupons from junk mail received
G	All other money you got (Ante up!)
H	Add lines A thru G and multiply by 3
I	Gambling losses (Boo! Hoo!)
J	Expenses for postage stamps (Sticky)
K	Contributions to charity (How nice!)
L	Subtract Line K from Line C
M	Expenses for mouthwash (Wasn't enough!)
N	Expenses for Band-Aids (Ouch!)
O	Expenses for music lessons (Practice!)
P	Restate figure on Line A, multiply by 2
Q	Balance in piggy bank
R	Go to Line M. Do not pass go
S	Total of traffic tickets paid (Tsk! Tsk!)
T	Library fines (Naughty!)
U	Number of bets lost to spouse (Told you so!)
V	Add Lines A, B, & Q (We're getting closer, and closer, and closer)

MAL-ADJUSTMENTS

W	Number of socks with holes
X	Number of pockets with holes
Y	Number of holes with holes
Z	Number of gray hairs
AA	Number of total hairs on head
BB	Divide Line Z by Line AA
CC	If BB is less than Q, use tonic
DD	This line is a mistake. Ignore it.
EE	Add Lines W thru DD, and add to Line V.

GOTCHA! WOW **This is your tax! Too bad! See you next year!**

List Names (starting with your favorite, 2nd favorite, etc.)

Highlights

- The franchise restaurant industry continues to do well. In 1984, 70,495 units posted $43.4 billion in sales.
- Restaurant franchising accounted for an impressive 41.5 percent of total eating place sales in 1984.
- Hamburger franchise restaurants continued to dominate, representing more than half (50.7 percent) of total franchise restaurant sales and 41.6 percent of franchise restaurant units.
- Mexican franchise restaurants experienced the strongest sales gain in 1984, recording an impressive 25.6 percent increase. This segment, though growing rapidly, represented only 4.9 percent of total franchise restaurant sales in 1984.
- America's sweet tooth propelled sales at donut, ice cream and yogurt stores to more than $1.7 billion in 1984.
- There were 5,990 international franchise units in operation in 1984. Canada (1,591 units) and Japan (1,490 establishments) had the highest concentration of U.S. franchise units.

Innovation thrusts 1984 franchise restaurant sales to $43.4 billion

This article takes a look at what is going on behind the scenes in the franchise restaurant industry and summarizes information from the U.S. Department of Commerce study, Franchising in the Economy, 1984–1986*.

Franchise restaurants are continuously refining, revising and expanding their concepts to meet the needs of today's restaurant patron. Largely as a result of this dynamic approach, the franchise restaurant segment has become one of the largest sectors in the foodservice industry. In 1984, franchise restaurant sales, both company-owned and franchisee-owned, totaled $43.4 billion, representing more than 40 percent of total eating place sales for that year. By comparison, in 1970 franchise restaurant sales accounted for half that proportion, 21.3 percent.

The total number of franchise outlets has also skyrocketed, more than doubling between 1970 and 1984—from 32,584 units to 70,495 units. As competition for traditional sites grows, operators are exploring various alternatives. Some are expanding into non-traditional sites, such as hospitals, office buildings, department stores and schools. Others, particularly fast food operators, are piloting mobile units and home delivery to reach more customers with minimal overhead costs.

Still other companies are experimenting with drive-thru service, meeting the needs of the on-the-go customer, with larger, double drive-thru operations and drive-thru-only units.

To tap into the take-out market, midscale restaurants are also experimenting with mini-units, and some upscale restaurants are offering take-out service. In contrast to this move toward specialization is the tendency of many franchise restaurants to expand and upscale their concepts. Much of this trend is in response to demographic shifts, such as the aging of the baby-boom generation and the increasing number of working wives and mothers.

In order to compete for the patronage of these customers, many franchise res-

Franchise restaurants: Percentage of eating place sales*

	Eating place sales**	Franchise restaurant sales**	Percentage
1970	$21.6	$4.6	21.3%
1984	$104.5	$43.4	41.5%

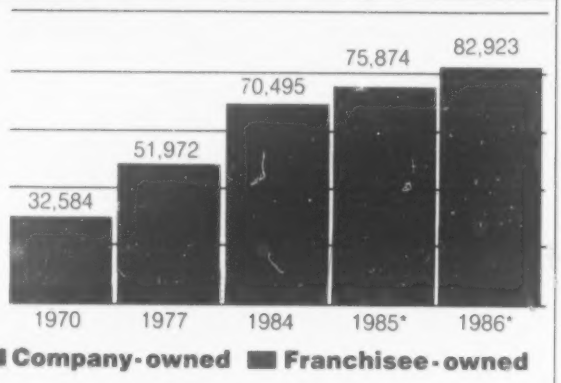
*NRA eating place sales figures include only establishments with payroll and do not include food contractors.
**billions of dollars
Source: U.S. Department of Commerce, *Franchising in the Economy, 1984–1986*; NRA.

The U.S. Department of Commerce's Franchising in the Economy, 1984–1986 *contains current information on 465 franchise restaurant companies operating 70,495 company-owned and franchisee-owned units across the U.S.

Sales and unit figures for 1984 and projections for 1985 and 1986 reported here are representative only of these 465 franchise restaurant firms, and do not include any newly established firms that may have begun franchising in 1984 or any firms that have since gone out of business or abandoned the franchise system.

The survey, the only one of its kind in the U.S., was completed by 1,942 franchisors representing an estimated 99 percent of total franchise sales and establishments in the U.S. The results were compiled by Andrew Kostecka, Finance and Management Industries Division, Office of Service Industries.

Franchise restaurant units



*Estimated by respondents.
Source: U.S. Department of Commerce, *Franchising in the Economy, 1984–1986.*

taurants are offering eclectic menus with selections ranging from American regional cuisine to ethnic favorites such as Asian, Mexican and Italian specialties. They are also adding new menu items to attract customers during different meal periods. For example, pancake houses are actively seeking the lunch and dinner trade, while hamburger, chicken and pizza restaurants are tailoring their operations to include breakfast.

For the nutrition-conscious consumer, many restaurants now offer lower-calorie, reduced-sodium and low cholesterol menus. As the interest in nutrition continues to grow, many more restaurants will be offering these alternatives to their customers.

Franchise restaurants are also updating their decor with atriums, muted colors, skylights and observation cooking to appeal to a more sophisticated clientele. (See article on franchise design elsewhere in this issue.)

Promoters continue to entice customers with new products. Cents-off coupons are popular, as are meal packages, discount meals and sweepstakes.

Sales and unit growth continue to expand . . .

In 1984, franchise restaurants represented one of the largest segments in the franchising industry, capturing 8.8 percent of total franchise sales and representing 15.9 percent of all franchise establishments. Sales at franchise restaurants increased a healthy 12.2 percent in 1984 and totaled more than $43 billion. While this advance is lower than the 14.8 percent sales increase recorded in 1983, it equals 1982's sales gain. The number of franchise restaurants was also up in 1984, rising 4.4 percent. This gain is somewhat below 1983's 6.2 percent increase but exceeds 1982's 2.8 percent unit growth.

An especially strong economy, low inflation and rising consumer incomes contributed to continued growth at franchise restaurants in 1984. However, a net loss in the number of firms offering franchises may have dampened growth. In 1984, 29 restaurant franchise firms either went out of business or abandoned franchising altogether, while 28 new franchise firms entered the market. The result was a net loss of franchise firms, down from 466 in 1983 to 465 in 1984.

Operators are optimistic in their forecast for future franchise restaurant performance, according to the Commerce Department survey conducted in mid-1985. Basing their estimates on sustained economic expansion, franchisors predicted a 10.5 percent sales increase for 1985 and are estimating an even stronger 12.1 percent rise in 1986.

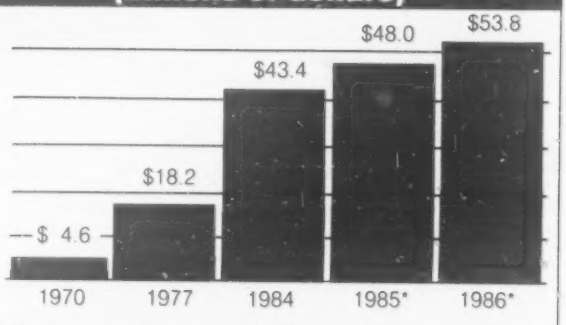
Franchisors have a similar outlook for unit growth, estimating the number of franchise restaurants will expand 7.6 percent in 1985 and 9.3 percent in 1986. The National Restaurant Association has predicted that total eating place sales, which include franchise restaurant sales, would rise 6.7 percent in 1985 and increase 7.6 percent in 1986. (These gains have not been adjusted for inflation.)

Percent of total franchise restaurant sales by firm size (1984)

Number of units	Total sales (billion)	Percent of total sales
	Percent of total sales	
1001 +	$26.2	60.2%
501–1000	5.0	11.6%
151–500	6.3	14.6%
51–150	2.9	6.6%
11–150	2.6	6.1%
1–10	0.4	0.9%

Source: U.S. Department of Commerce, *Franchising in the Economy, 1984–1986.*

Franchise restaurant sales (billions of dollars)



*Estimated by respondents.
Source: U.S. Department of Commerce, *Franchising in the Economy, 1984–1986.*

Company-owned units record gains . . .

The franchise restaurant sector is divided into two categories: company-owned and franchisee-owned restaurants. In 1984, company-owned units outpaced franchisee-run establishments both in sales and unit growth. Sales at company-owned franchises advanced a healthy 15.1 percent in 1984, totaling $16.4 billion. On the other hand, franchisee-owned restaurants posted a lower sales gain of 10.6 percent. Nonetheless, total sales in the franchisee-owned segment reached

Primary type of service provided by franchise restaurant firms (1984)

	Firms with self-service or drive-thru	Firms with waitstaff service
Chicken	30	3
Hamburger	101	4
Pizza	68	36
Mexican	22	14
Seafood	9	3
Pancake	0	13
Steak/full menu	17	94
Sandwich/other	47	4
Total	**294**	**171**

Source: U.S. Department of Commerce, *Franchising in the Economy, 1984–1986.*

$27.0 billion in 1984.

In 1985, however, sales increases at company-owned outlets were expected to approximate sales gains at franchisee-owned establishments—11.0 percent versus 10.2 percent, respectively. In 1986, operators project that franchisee-owned units will take the lead in sales performance by posting sales gains of 12.4 percent, compared with 11.6 percent for company-owned franchise establishments.

In the area of unit expansion, company-owned restaurants also outperformed franchisee-owned restaurants in 1984.The company-owned sector recorded a 5.3 percent increase in units, compared with a lower 3.9 percent advance in franchisee-owned stores. However, franchisee-owned units continued to outnumber company-owned outlets by a ratio of two to one.

Unit expansion in both segments was projected to pick up in 1985 and 1986, according to the franchisors surveyed for this study. The number of company-owned units was estimated to increase 7.1 percent in 1985 and 8.5 percent in 1986. Franchisee-owned stores were predicted to experience comparable unit growth of 7.9 percent and 9.7 percent in 1985 and 1986.

Large firms increase their stake . . .

Large franchise firms (those with more than 1,000 establishments) took a bigger slice of the franchise restaurant pie in 1984. Sales at these multi-unit firms reached $26.2 billion in 1984—accounting for 60.2 percent of total franchise restaurant sales, up from 57.6 percent in 1983. A strong 17.5 percent increase in sales contributed to the sector's larger share of the franchise market.

The number of franchise firms with more than 1,000 units (13) has not changed since 1981, but these firms are aggressively expanding their total units. In 1984, this group represented 53.2 percent of all franchise restaurants, up from 51.9 percent in 1983.

In 1984, medium and small companies felt the lingering effects of the weak economy in 1982 and 1983, posting lower sales and fewer units.

Sales for medium-size firms (501 to 1,000 units) reached $5.0 billion in 1984, down 1.1 percent from the prior year. Consequently, this group's share of total franchise restaurant sales dipped from 13.1 percent in 1983 to 11.6 percent in 1984. The number of medium-size firms reached 16 in 1984, up one from 1983. The total number of units for this group reached 10,578, a 3.3 percent advance over 1983. However, due to more rapid expansion in other sectors, this segment's share of total franchise restaurant units dropped to 15.0 percent from 15.2 percent in 1983.

Franchise firms that operate between 151 and 500 units also lost market share in 1984. Although sales advanced a healthy 7.1 percent, reaching $6.3 billion, this group's share of overall franchise restaurant sales dropped from 15.3 percent to 14.6 percent. Four firms in this segment left the market in 1984, reducing the total number of firms to 41. The number of units operated by firms in this group totaled 11,091—a 6.2 percent decline from the prior year. As a result, this segment's share of total franchise restaurant outlets fell from 17.5 percent to 15.7 percent in 1984.

While large franchise firms represent the lion's share of the franchise restaurant market, a significant proportion of all franchise companies operate 50 or fewer units. In 1984, a phenomenal 70.1 percent of all franchise firms operated between one and 50 units, an indication that the franchise sector is still an entrepreneurial stronghold. However, these firms did lose some ground in 1984. In 1983, 71.5 percent of all franchise companies operated 50 or fewer units.

One reason for this decline may be that some of the smaller firms dropped out of the market in response to intensified competition and sluggish sales. In fact, there were six fewer firms operating one to 10 units in 1984 and one less company operating 11 to 50 units. On the other hand, the number of franchise firms operating 51 to 150 restaurants reached 69 in 1984, an increase of nine units—and the highest total to date for this segment.

Self-service and drive-thru popular . . .

Franchise restaurants offer many dining alternatives, ranging from fast, efficient self-service and drive-thru options to more leisurely, individualized waiter and waitress service. In 1984, 294 firms, representing six out of 10 franchise companies, operated units classified as self-service or drive-thru operations. This represents a substantial 16.7 percent increase over 1979.

Percentage of franchise restaurant sales by restaurant type (1984)

Restaurant type	Sales (billions)	Percent of total
Chicken	$3.9	9.0%
Hamburger	$22.0	50.7%
Pizza	$4.9	11.3%
Mexican	$2.1	4.8%
Seafood	$1.1	2.5%
Pancake	$1.0	2.3%
Steak/full menu	$7.8	18.0%
Sandwich/other	$0.6	1.4%

Source: U.S. Department of Commerce, *Franchising in the Economy, 1984–1986.*

Hamburger restaurants represented more than one-third (34.3 percent) of the firms offering self-service in 1984. Pizza firms accounted for 23.1 percent, followed by sandwich (16.0 percent) and chicken (10.2 percent).

The number of franchise firms that featured waiter or waitress service totaled 171 in 1984, and accounted for 38.2 percent of all franchise restaurant firms. Leading the way in this category were steak/full-menu franchises, which represented more than half (55.0 percent) of the restaurants providing tableservice.

Franchise restaurant employment jumps . . .

Franchise restaurants continue to be the number one employer in the franchise industry; they represent more than one-third (38.5 percent) of total franchise employment. More than two million individuals, including part-time workers and working proprietors, were employed in the franchise restaurant sector in 1984. This represents a substantial 11.6 percent advance over 1983. In addition, 42.0 percent of all persons employed in eating and drinking places in the U.S. worked in franchise restaurants in 1984, an indication of the enormous economic effect this sector has on the foodservice industry.

South Atlantic region up 10.1 percent . . .

In 1984 the number of franchise units expanded in every region of the country. The South Atlantic region, which represented a significant 16.9 percent of all franchise outlets in 1984, recorded the best performance, reporting a strong 10.1 percent increase in units. Within this region, the District of Columbia posted a substantial 19.5 percent advance in franchise restaurant units. Florida, which accounts for almost one-third (31.3 percent) of all franchise restaurants in the South Atlantic states, also posted an impressive 12.6 percent gain.

The East South Central and West South Central regions were the only regions recording below average unit growth in 1984. Nonetheless, four states in these areas posted above-average unit gains: Oklahoma (up 8.6 percent); Mississippi (up 8.4 percent); Tennessee (up 5.6 percent) and Louisiana (up 4.6 percent).

Among the states, California posted the most franchise units—7,146. Other states reporting a high concentration of franchise restaurants in 1984 were Texas (5,854 units), Ohio (3,814 units) and Florida (3,742 units).

—Sallie Adams

Percentage of franchise restaurant units by restaurant type (1984)

Restaurant type	Number of units	Percent of total
Chicken	8,576	12.2%
Hamburger	29,305	41.6%
Pizza	12,705	18.0%
Mexican	3,774	5.3%
Seafood	2,320	3.3%
Pancake	1,704	2.4%
Steak/full menu	9,563	13.6%
Sandwich/other	2,548	3.6%

Source: U.S. Department of Commerce, *Franchising in the Economy, 1984–1986*

An analysis of franchise restaurant types

The following spotlights the eight major franchise restaurant segments, detailing each sector's 1984 performance, current market influences and 1985 and 1986 growth expectations.

Hamburger franchises continue to dominate . . .

Hamburger, roast beef and hot dog restaurants continued to dominate the franchise restaurant industry in 1984. This segment captured half (50.7 percent) of total franchise restaurant sales and accounted for 41.6 percent of all franchise restaurant outlets.

Increased competition during 1984 kept operators on their toes. Seven new hamburger, hot dog and roast beef firms entered the market in 1984.

Many operators were busy experimenting with new concepts to increase their market share. Mobile units, home delivery and drive-thru facilities were actively pursued because they cater to the growing demand for convenience. Non-traditional sites, such as hospitals, office buildings and department stores, were also targeted as expansion opportunities.

The effects of heightened competition spilled over into the menu arena. Many hamburger franchises offered expanded menus that featured fish, chicken, salads and baked potatoes. Gourmet burgers and reformulated recipes also made their debut, and hamburger restaurants continued to explore the morning meal market.

Advertising and promotion outlays increased as hamburger franchises raced to improve their standings in the market. Meal packages and coupons were popular and several hamburger chains even cut prices on some menu items to meet the competition.

Competition is likely to escalate in this segment as more firms vie for market share and other franchise segments encroach on the hamburger market.

Summary: hamburger franchises

- Sales surged a substantial 16.3 percent in 1984, outperforming the 12.2 percent sales gain recorded by all franchise restaurants. Total sales reached $22.0 billion.
- The number of franchise hamburger outlets totaled 29,305 in 1984, advancing 3.7 percent. While this gain was below the average 4.4 percent advance for all franchise restaurants, it was the segment's best performance since 1980.
- Franchisee-owned units experienced the largest sales advance in 1984, rising 17.1 percent to $16.0 billion. Company-owned hamburger franchises posted a lower 14.4 percent sales gain, with total sales surpassing $6.0 billion.
- Franchisee-owned outlets outnumbered company-owned units by more than three to one in 1984. The number of franchisee-owned hamburger restaurants totaled 22,860 in 1984.

a 4.4 percent increase over 1983, and the best unit growth performance for this segment since 1976. The number of company-owned outlets reached 6,445—up one percent.

• Franchisors anticipate continued strong growth for this segment. Sales were expected to increase 9.1 percent to $24.1 billion in 1985, and operators are forecasting total sales to reach $26.5 billion in 1986, a healthy 10.0 percent gain.

• Unit growth was expected to pick up in 1985 and 1986, advancing 5.8 percent and 7.0 percent.

Pizza franchises feel the heat . . .

In the midst of a competitive struggle between smaller operators and industry giants, the pizza segment has exploded with a flurry of new ideas and menu items. Although seven firms exited the market in 1984, the pizza segment accounted for 18.0 percent of all franchise units, up from 17.6 percent in 1983.

A host of new products has surfaced in this segment as operators fight for their share of the market. Recent additions include pan and stuffed pizzas, sourdough and whole wheat crusts and gourmet toppings.

Individual size pizzas are beefing up the lunch trade, and some operators are experimenting with breakfast pizzas. In addition, home delivery, which is practically synonymous with pizza restaurants, continues to climb.

Summary: pizza franchises

• Total sales for the pizza franchise segment reached $4.9 billion in 1984, up 6.1 percent over 1983. This is the smallest sales gain recorded for the segment since the franchising survey began in 1970, influenced, no doubt, by the decline in the number of pizza franchise firms.

• In 1984 there were 12,705 franchise pizza outlets, a gain of 7.2 percent over the prior year. This advance is lower than the 11.5 percent gain posted in 1983, but higher than the 4.4 percent average unit growth for all franchise restaurants.

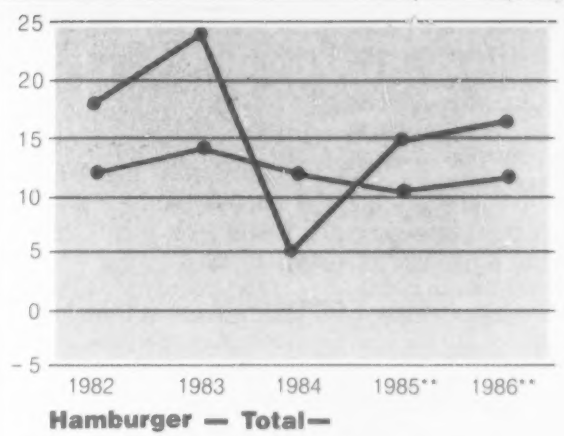
• The number of franchisee-owned pizza establishments advanced a healthy 8.2 percent in 1984, bringing the total to 8,343. Company-owned units rose a modest 5.4 percent, reaching 4,362 outlets.

• Sales at franchisee-owned restaurants outpaced company-owned establishments in 1984. Total franchisee-owned unit sales reached $3.1 billion in 1984, up 7.5 percent over 1983. In comparison, company-owned pizza restaurants posted sales of $1.9 billion.

• Franchisors are predicting a rosy future for the pizza segment. Sales were forecast to jump a phenomenal 16.0 percent in 1985 and are expected to increase an even higher 17.8 percent in 1986.

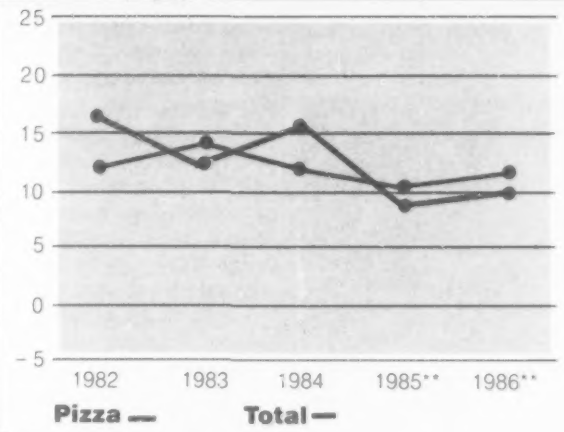
• Operators expected robust unit expansion in 1985, with the total number of pizza franchises forecast to expand 13.5 percent. By 1986, franchise pizza outlets are predicted to advance 12.8 percent, equalling more than 16,000 units.

Percent sales change in hamburger vs. total franchise restaurants*



*Percent change from previous year.
**Estimated by respondents.
Source: U.S. Department of Commerce, *Franchising in the Economy, 1984–1986.*

Percent sales change in pizza vs. total franchise restaurants*



*Percent change from previous year.
**Estimated by respondents.
Source: U.S. Department of Commerce, *Franchising in the Economy, 1984–1986.*

Chicken market records steady growth . . .

In 1984, the chicken franchise market continued to post above-average gains in sales and unit growth, even though one franchise chicken firm left the market. Sales for this segment advanced a healthy 13.8 percent versus a 12.2 percent average gain for all franchise restaurants in 1984. The number of franchise chicken outlets totaled 8,576 units, up 5.8 percent.

Innovative product development has helped boost the chicken segment's performance. Spicy chicken, crispier chicken and chicken nuggets have revolutionized this category's menus. Side dishes, such as spicy rice and biscuit sandwiches, have further broadened the chicken segment's appeal. In addition, many operators have introduced lower-calorie broiled chicken sandwiches and entrees to appeal to nutrition-conscious customers.

Chicken franchise firms are increasing their activity in foreign markets. Two additional chicken franchise firms entered the international market in 1984, boosting the total number of units overseas to 1,757.

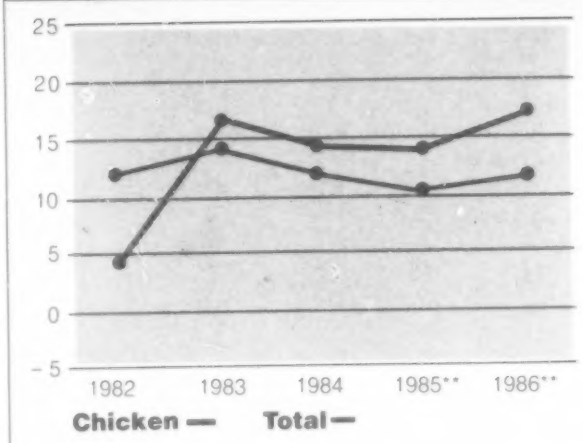
Summary: chicken franchises

- Chicken franchise restaurant sales totaled $3.9 billion in 1984, advancing 13.8 percent over the prior year. This was somewhat lower than the 1983 gain of 16.0 percent.
- The number of units advanced 5.3 percent, outdistancing 1983's 4.8 percent gain and posting the largest increase since 1979. This increase was also higher than the 4.4 percent gain for all franchise restaurants.
- Sales at company-owned units skyrocketed 23.8 percent in 1984, totaling $1.6 billion. Sales at franchisee-owned units posted a more modest gain of 7.8 percent, reaching $2.3 billion.
- The number of company-owned units totaled 3,162, up 12.1 percent over 1983. In comparison, franchisee-owned units expanded a slight 1.6 percent to total 5,414.
- Operators predicted that sales in the chicken franchise segment would exceed $4.4 billion in 1985, a 13.1 percent advance. In 1986, sales are expected to climb an even higher 15.5 percent to $5.1 billion.
- Unit growth was expected to climb 7.9 percent in 1985, and is forecast to increase an even greater 9.9 percent in 1986, totaling 10,175 units.

Mexican fires up . . .

Franchise Mexican restaurants are hot.The total number of franchise Mexican restaurants has more than doubled in 10 years—from 1,462 units in 1974 to 3,774 units in 1984. This rapid expansion has elevated Mexican restaurants from a primarily regional segment to one which is now national in scope. The popularity of Mexican restaurants reflects the growing interest in more spicy, ethnic dishes.

Percent sales change in chicken vs. total franchise restaurants*



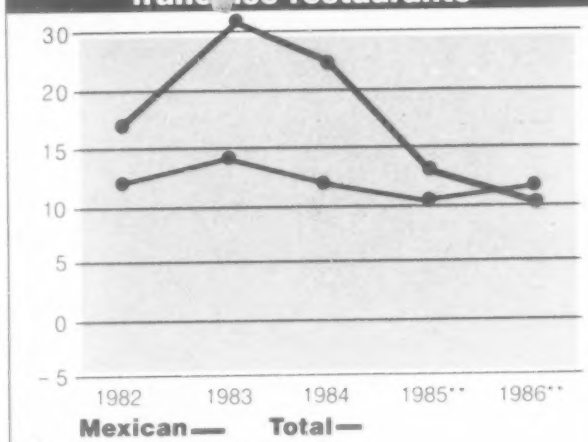
*Percent change from previous year.
**Estimated by respondents.
Source: U.S. Department of Commerce, *Franchising in the Economy, 1984–1986.*

Expansion in this segment is almost certain to continue. Although there were three fewer Mexican franchise firms in 1984, this segment posted sales of more than $2.1 billion.

Summary: Mexican franchises

- Mexican franchise restaurants posted the largest sales gain of all franchise restaurant categories in 1984. Sales climbed a substantial 25.6 percent and surpassed $2.1 billion. This is less than the 33.7 percent increase in 1983, but considerably higher than the 12.2 percent average sales gain for all franchise restaurants.
- Unit expansion slowed somewhat, increasing 8.8 percent in 1984 versus 13.7 percent in 1983. But this is still twice the 4.4 percent average increase for all franchise outlets in 1984.
- Sales for company-owned units increased faster than at franchisee-owned outlets. Company-owned sales surged 29.5 percent to $1.1 billion while franchisee-owned sales advanced a lower, but still substantial, 21.5 percent to $992 million.
- There were more franchisee-owned units in 1984 than company-owned establishments, 2,072 versus 1,702. However, the number of company-owned units advanced 10.7 percent compared with a lower 7.3 percent rise for franchisee-owned outlets.
- Franchisors expect more moderate growth for this segment in the future. Sales were projected to rise 13.7 percent in 1985 and are estimated to rise 11.4 percent in 1986.
- Unit growth projections were 11.3 percent in 1985 and 10.9 percent in 1986 to reach 4,660 units.

Percent sales change in Mexican vs. total franchise restaurants*



*Percent change from previous year.
**Estimated by respondents.
Source: U.S. Department of Commerce, *Franchising in the Economy, 1984–1986.*

Seafood perks up . . .

In 1984, sales climbed a significant 14.5 percent, the strongest increase since 1979. This growth was boosted by the entrance of one new seafood firm into the category.

Many seafood franchisors are capitalizing on the health and nutrition trend. Consumers are interested in eating light and healthy meals, and seafood establishments are increasingly being called upon to fulfill this need. In addition, franchisors are luring customers and boosting sales by upscaling concepts and broadening menu selections with more broiled and baked items as well as non-seafood entrees.

There is room for growth in this segment, and fran-

chisors have a positive outlook for the future. Significant gains in both sales and traffic are projected for 1985 and 1986, as franchisors plan to take advantage of consumers' growing nutrition concerns.

Summary: seafood franchises

- Sales leaped 14.5 percent in 1984 to $1.1 billion. This marks a considerable improvement from the sluggish 3.2 percent increase posted in the prior year.
- The number of units reached 2,320 in 1984, a slight 0.5 percent advance. Although this gain is less than the 4.0 percent increase recorded in 1983, it is still an improvement over the 0.2 percent decline in 1982.
- Company-owned sales rose significantly in 1984, up 16.8 percent to $622 million. This outpaces the 11.5 percent sales increase posted for franchisee-owned establishments.
- The number of company-owned outlets also grew at a substantial pace in 1984, advancing 9.3 percent. This compares with a smaller 3.9 percent gain in 1983. On the other hand, the number of franchisee-owned units dropped 9.0 percent to 1,012 units.
- Franchisors have an optimistic outlook for this segment's future growth. In 1985, sales were expected to jump 12.0 percent, and in 1986 they should rise an even greater 17.2 percent. The number of units was expected to advance 6.2 percent in 1985 and 11.1 percent in 1986.

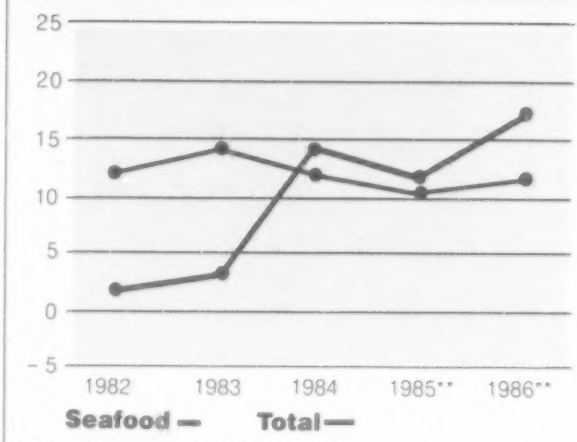
Steak/full menu sales up slightly . . .

The steak/full menu segment is taking on a new look. Chains are breaking away from their traditional "meat and potatoes" image and are jumping on the health and nutrition bandwagon. New menu additions, including expanded salad bars, as well as chicken, pasta and seafood dishes, are helping to promote this new image. Additionally, updated decors with brighter colors are creating a more contemporary appearance.

However, sales growth and unit expansion in 1984 did not reflect these changes. Total sales for the category inched up 0.7 percent and, while the number of steak/full menu franchise firms remained constant between 1983 and 1984, the number of units declined 2.9 percent as operators closed unprofitable sites.

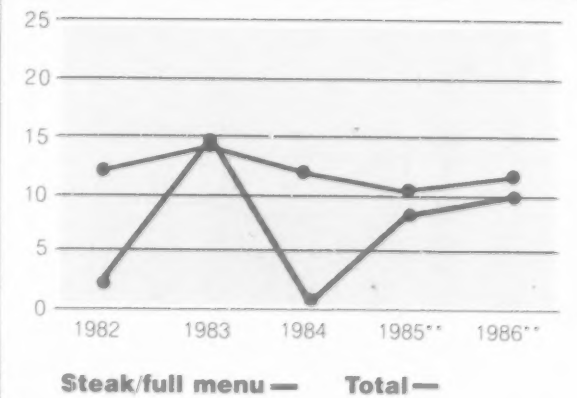
But, brighter days are ahead for this segment. Significant gains are projected for 1985 and 1986.

Percent sales change in seafood vs. total franchise restaurants*



*Percent change from previous year.
**Estimated by respondents.
Source: U.S. Department of Commerce, *Franchising in the Economy, 1984–1986.*

Percent sales change in steak/full menu vs. total franchise restaurants*



*Percent change from previous year.
**Estimated by respondents.
Source: U.S. Department of Commerce, *Franchising in the Economy, 1984–1986.*

Summary: steak/full menu franchises

- Sales advanced a disappointing 0.7 percent to $7.8 billion in 1984. In comparison, sales rose a substantial 15.0 percent in 1983.
- The total number of outlets in this category declined 2.9 percent, from 9,849 units in 1983 to 9,563.
- A substantial 14.1 percent advance in company-owned sales helped counteract disappointing performance in the franchisee-owned sector. Sales reached $4.7 billion compared to $4.1 billion the year before. On the other hand, sales at franchisee-owned establishments plunged 14.5 percent and equaled $3.1 billion.
- A significant 7.4 percent decline in the number of franchisee-owned outlets from 5,055 units in 1983 to 4,680 in 1984 was responsible for the overall drop in franchise units in this segment. On a more positive note, unit expansion for company-owned establishments rose a modest 1.9 percent to 4,883 units.
- Franchisors have high hopes for the segment's future growth. Sales were expected to climb 8.3 percent in 1985 to $8.4 billion. In 1986 total sales should reach an even higher $9.4 billion, up 11.7 percent.
- Unit growth was projected to make healthy strides, rising 3.3 percent in 1985 and 7.8 percent in 1986 to total 10,648 outlets.

Pancake sales jump . . .

Sales and unit growth at pancake franchises jumped substantially in 1984 as franchisors worked to offset the losses this segment suffered in the prior year. Sales stacked up to $985 million, a whopping 17.5 percent increase, while unit growth rose a strong 9.4 percent.

Franchisors have suc-

cessfully risen to the challenges facing this segment. Increasing competition from fast food and other restaurant segments for the breakfast market has led franchisors to reposition as a three-meal concept. In addition, chains are adding lighter entrees and upgrading decors to attract a wider range of clientele.

Summary: pancake franchises

- Total pancake sales reached $985 million in 1984, advancing a substantial 17.5 percent. In contrast, sales declined 6.2 percent in the prior year.
- Unit growth increased 9.4 percent in 1984, totaling 1,704 establishments.
- Sales at both company and franchisee-owned units "moved like hotcakes." Company-owned sales leaped 20.3 percent to $318 million compared to a 4.9 percent drop in 1983. Sales at franchisee-owned outlets jumped 16.3 percent and totaled $667 million in 1984, versus sales of $574 million in the prior year.
- The number of franchisee-owned outlets rose a healthy 10.1 percent and totaled 1,178 in 1984, outpacing both overall and company-owned unit growth. Growth at company-owned establishments increased 7.8 percent to 526 units.
- Franchisors expect future growth and were anticipating sales gains of 8.1 percent and 7.1 percent, respectively, in 1985 and 1986.
- Unit expansion was expected to climb 4.0 percent in 1985 and is expected to increase 5.8 percent in 1986.

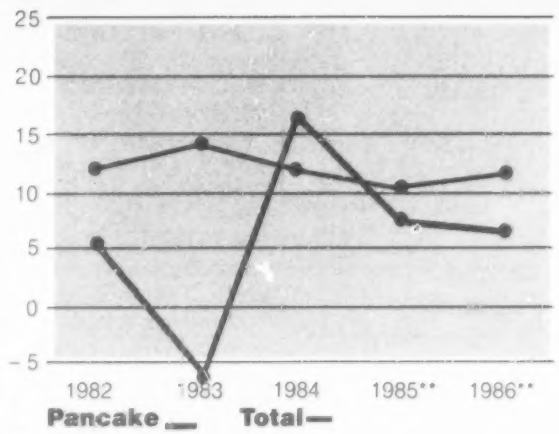
Sandwich segment skyrockets . . .

The sandwich franchise segment posted an outstanding performance in 1984, as sales and unit growth skyrocketed. Sales increased by nearly 25.0 percent while unit growth advanced at an equally impressive 22.8 percent rate. The entrance of one additional firm into this category helped to propel this explosive growth.

Other factors contributing to this segment's growth are the low start-up and labor costs for these units. In addition, because of their small size (average store sales in 1984 were $245,706), sandwich franchises are adaptable and can succeed in a variety of locations.

Many firms are branching out and experimenting with a wider range of menu items. Pizza and overstuffed sandwiches are among the offerings that can now be found at these establishments. Many chains also are promoting fresh baked goods, such as croissants and bagels, and installing gourmet food shops.

Percent sales change in pancake vs. total franchise restaurants*



*Percent change from previous year.
**Estimated by respondents.
Source: U.S. Department of Commerce, *Franchising in the Economy, 1984–1986.*

Percent sales change in sandwich vs. total franchise restaurants*

*Percent change from previous year.
**Estimated by respondents.
Source: U.S. Department of Commerce, *Franchising in the Economy, 1984–1986.*

Summary: sandwich franchises

- In 1984, the sandwich segment boasted sales of $626 million, a 24.6 percent advance and the second best performance of all the segments. However, this increase is somewhat below the 34.0 percent gain recorded in the prior year.
- Unit growth increased at the fastest pace since 1980, up 22.8 percent to 2,548 outlets. In 1983, the number of units rose 14.6 percent and totaled 2,074.
- Sales at company-owned units shot up 39.0 percent to $130 million. This compares with a whopping 44.1 percent gain in 1983. Franchisee-owned sales also rose at a substantial pace, climbing 21.3 percent to $496 million.
- The number of company-owned sandwich franchises increased at the fastest pace—leaping 31.2 percent to 563 units. In contrast, company-owned units grew at a slower rate in 1983—up 13.2 percent. Unit growth at franchisee-owned stores also rose at a substantial pace in 1984, up 20.7 percent to 1,985 units.
- Future expectations for this segment are upbeat. Sales were projected to expand at an above average rate, with respective increases of 18.2 percent and 21.2 percent expected for 1985 and 1986.
- Unit growth is also projected to make impressive gains. In 1985, the number of units should reach 2,872, a 12.7 percent increase. In 1986, total units are forecast to reach 3,379.

—Sallie Adams
—Susan Adelman

Franchise ice cream/yogurt store and donut shop sales top $1.7 billion

Franchise ice cream/yogurt stores and donut shops are big business. In 1984 their combined sales reached an impressive $1.7 billion, underscoring their importance to the foodservice industry. Because these establishments are classified as "food retailers other than convenience stores" by the U.S. Department of Commerce's Franchising in the Economy, 1984-1986, *their sales are not included in the study's franchise restaurant report. If they were included, franchise restaurant sales would be increased to $45.1 billion.*

Ice cream sales slip . . .

The saga of America's love affair with ice cream continues, although the first blush of romance is waning. Despite the trend toward lighter, healthier foods, Americans cannot seem to resist this delicious, frozen treat. Franchisors are picking up on this trend. Four new firms entered the ice cream/yogurt market in 1984, bringing the total number of firms to 49.

As competition among these companies intensifies, firms are battling for market share. In addition to gourmet flavors, chains are luring customers with waffle cones, "mix-in" items and even special diet ice cream. To further boost sales, several chains have introduced baked goods, while others are marketing products in supermarkets.

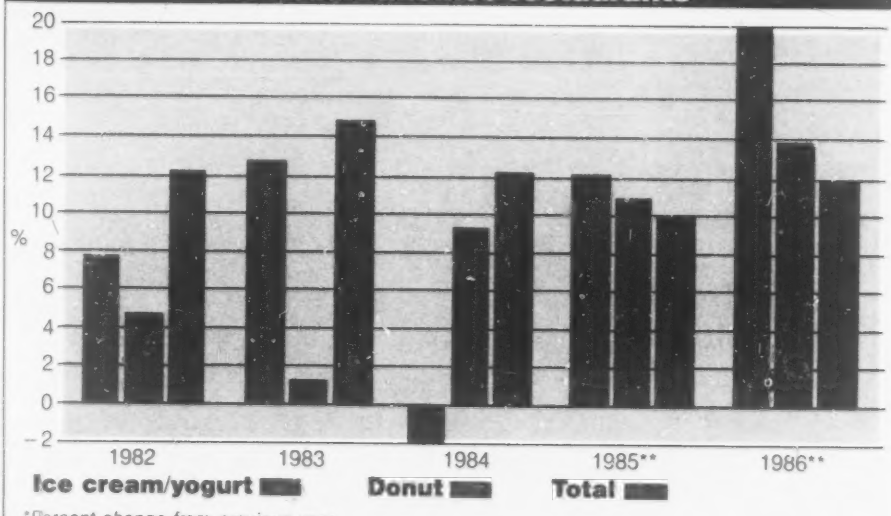
Summary: ice cream and yogurt shops

- Sales for ice cream and yogurt franchises dipped somewhat in 1984 from $965 million to $945 million, a 2.2 percent decline. A 10 percent drop in overall ice cream shop customer traffic in 1984 contributed to the downturn. According to CREST data, an especially notable decline took place in the summer months when traffic is usually the strongest.
- The rate of unit expansion increased a healthy 6.5 percent. However, this is well below the 14.0 percent gain posted in the prior year. The total number of units rose from 6,322 in 1983 to 6,736 in 1984.
- Franchisee-owned unit sales edged down 1.7 percent to $888 million. In comparison, sales at these units jumped 12.3 percent, totaling $904 million in 1983. Sales at company-owned ice cream/yogurt stores tumbled 8.7 percent in 1984 versus a substantial 18.6 percent leap in 1983.
- The number of company-owned outlets totaled 202 in 1984, versus 186 units in the prior year—a gain of 8.6 percent. Franchisee-owned stores advanced at a somewhat slower 6.5 percent rate, reaching 6,534 outlets.
- Franchisors have a bright outlook for this segment. Sales were projected to turn around in 1985 and jump 12.2 percent to $1.0 billion. (CREST data reported a 10 percent rise in customer counts in 1985.) Franchisors predict an even greater advance of 20.2 percent for 1986 when sales should hit $1.3 billion.
- Unit growth also should expand at a rapid pace through 1986. During 1985 the number of ice cream and yogurt franchise outlets was projected to reach 7,717 units, a gain of 14.6 percent. In 1986, the number of units is projected to reach 9,038, a substantial 17.1 percent advance.

Donut franchise sales up significantly . . .

Donut franchises are on the move. Faced with increasing competition for the breakfast market from supermarkets, cookie chains and other fast food establishments, these firms are fighting back. Chains are diversifying menus in order to attract a wider range of consumers. Among the items now found on menus are breakfast sandwiches,

Percent change in sales donut and ice cream/yogurt franchises vs. total franchise restaurants*



*Percent change from previous year.
**Estimated by respondents.
Source: U.S. Department of Commerce, *Franchising in the Economy, 1984–1986.*

biscuits, muffins and brownies. This strategy seems to be working. Sales and unit growth made significant gains at these establishments in 1984.

Summary: donut franchises

- Donut franchise sales climbed an impressive 9.5 percent in 1984, reaching $756 million. This is a considerable improvement over 1983, when sales advanced a more modest 1.6 percent.
- The total number of franchise units reached 2,318, a healthy 6.5 percent gain. This increase reverses the 2.0 percent decline registered one year earlier, and is significantly higher than the slight 0.1 percent advance posted in 1982.
- Franchisee-owned outlets posted the most substantial increase in sales during 1984—up 11.1 percent to $668 million. This is significantly higher than the 1.8 percent advance recorded in 1983. On the other hand, company-owned outlet sales slumped in 1984—down 1.0 percent to $88 million.
- Franchisee-owned unit growth rose at the fastest pace in 1984, climbing 7.1 percent to 2,100 stores. This represents the first rise in franchisee-owned units in three years. Total company-owned units reached 218, versus 216 units in 1983.
- Continued growth is in the picture for donut franchises. Sales were forecast to rise 11.4 percent in 1985 to $843 million. In 1986 sales should advance an even stronger 14.0 percent to total $961 million.
- The number of units was expected to expand at a 6.3 percent rate in 1985, approximating 1984's gain. In 1986, the total number of outlets is expected to reach 2,698, a substantial 9.5 percent increase.

—Susan Adelman

International market: a golden opportunity

Each year the number of franchisors that decide to spread their wings into international territories grows. The international marketplace presents a golden opportunity for firms that can overcome obstacles, such as cultural differences, language barriers and complicated laws and regulations. As increasing numbers of American and foreign firms realize this market's great potential for growth, competition for market share should intensify. Additionally, local and other international companies will provide stiff competition for American firms in the coming years.

Three new firms entered the international franchise restaurant market in 1984, bringing the total number of firms operating units outside the United States to 67, according to the Department of Commerce study, *Franchising in the Economy, 1984–1986*. The total number of American franchise restaurant units throughout the world climbed a healthy 8.6 percent to 5,990 stores—up from 5,516 outlets in 1983.

Canada led the foreign markets with the most American-franchised eating place outlets—1,591 stores were in operation there in 1984, up 3.4 percent from 1,539 units in the prior year. Japan was not far behind with 1,490 stores, a substantial 11.7 percent gain. Australia placed a distant third with 581 units, followed by the United Kingdom with 576 units and continental Europe with 514 outlets. The most significant increase in American franchise restaurants occurred in areas of Asia outside of Japan. The total number of units jumped 18.1 percent to 431 stores.

Hamburger franchises flourish . . .

Hamburger franchises continue to do well in the international marketplace. In 1984, 16 companies operated franchised units throughout the world, two more than in 1983. These firms accounted for more than half of the franchised units in the international market. The total number of hamburger outlets reached 3,117, an impressive 10.9 percent jump over 1983.

Canada accounted for 40 percent of the total franchise hamburger outlets in 1984, outdistancing other markets. There were 1,233 units in operation there, up 7.3 percent from 1,149 units in the prior year. Japan reported the second highest number of units—667, up 11.9 percent over 1983. Continental Europe followed with 428 outlets.

The most rapid expansion took place in South America, where the number of hamburger units leaped 46.9 percent to 47.

Chicken franchises continue to prosper . . .

Chicken franchises continue to prosper. In 1984, chicken franchise restaurants accounted for the largest share of total franchise restaurants in six of

Top 12 international franchise markets (1984)*

*Includes company-owned, franchisee-owned and joint ventures.
Source: U.S. Department of Commerce, *Franchising in the Economy, 1984–1986.*

the 12 reported international markets. In Africa, for example, chicken franchises represented 95.3 percent of all franchise restaurant types. Furthermore, chicken franchises accounted for an impressive 65.1 percent of the franchise restaurants in the United Kingdom. Other markets where chicken franchises are on top include Mexico, the Caribbean, New Zealand and Australia.

Nine firms operated chicken franchise outlets in foreign countries during 1984, two more than in 1983. The total number of worldwide chicken franchise outlets reached 1,757, an 8.4 percent advance from 1,621 units. The country with the highest number of franchise units was Japan with 504 stores, up an impressive 15.6 percent from 1983. The United Kingdom followed, reporting 375 outlets. Continental Europe posted the greatest increase, up 43.2 percent to 53 stores. On the flip side, Canada experienced a decline in franchise chicken units, down 81.6 percent.

Pizza franchise restaurants gain . . .

Fourteen pizza firms operated franchise restaurants outside the United States in 1984, one less than in 1983. However, the total number of units climbed a healthy 8.2 percent to 539 outlets. Australia boasted the most pizza units—134. Canada ranked second with 100 stores.

Japan registered the most significant increase in pizza outlets—up 21.2 percent. The Caribbean also posted a hefty 17.1 percent gain, to 48 units in 1984. However, two markets, continental Europe and Mexico, reported a decline in franchised units, down 2.9 percent and 3.1 percent, respectively.

International franchise restaurant units by restaurant type

Restaurant type	Total units (1984)	Percent change (1983–1984)
Hamburger	3,117	10.9%
Chicken	1,757	8.4
Pizza	539	8.2
Steak/full menu	461	−1.9
Mexican	90	8.4
Pancake	12	nc*
Seafood	11	−38.9
Sandwich/other	3	nc*
Total	**5,990**	**8.6%**

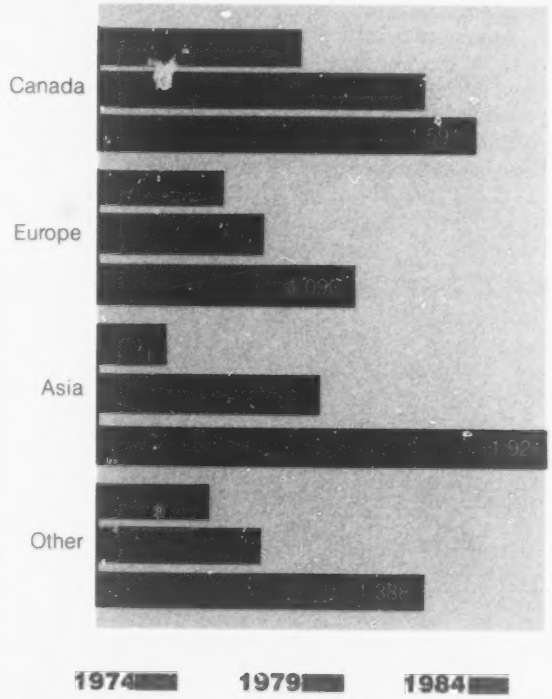
*No change.
Source: U.S. Department of Commerce, *Franchising in the Economy, 1984–1986.*

Mexican franchises on the move . . .

Although the number of firms operating Mexican franchises remained at seven in 1984, the number of franchised units in the international market continued to grow. Ninety outlets were in business during 1984—up from 83 one year earlier. Canada topped the list of countries with the most franchised units—64 compared to 61 in 1983.

The Caribbean also posted a considerable increase in the number of franchised units, up a hefty 17.6 percent.

Growth in international franchise restaurant units



Source: U.S. Department of Commerce, *Franchising in the Economy 1984–1986.*

Seafood franchise units on the decline . . .

The number of seafood franchise restaurant firms operating outside the U.S. remained at three in 1984. However, the number of outlets operated by these firms tumbled from 18 units in 1983 to 11 units in 1984. This disappointing drop largely stems from a decline in Asian units.

Steak/full menu franchises down . . .

Although the number of firms operating steak/full menu restaurants outside the U.S. remained steady at 14 in 1984, the number of franchised units dipped slightly to 461 outlets from 470 outlets in 1983. This was due to a decline in the number of units in two markets. In Australia franchised steak/full menu outlets decreased from 10 units in 1983 to five units, and in Canada the number of units tumbled 8.8 percent to 175 stores. Despite these setbacks, the total number of units rose in several markets. In Japan, for example, the number of units rose 4.6 percent to 248.

Pancake franchisors maintain status quo . . .

The international pancake franchise segment experienced an uneventful year in 1984. Only two firms continue to operate units abroad. Japan kept its lead in the segment with eight outlets, followed by Canada with three units.

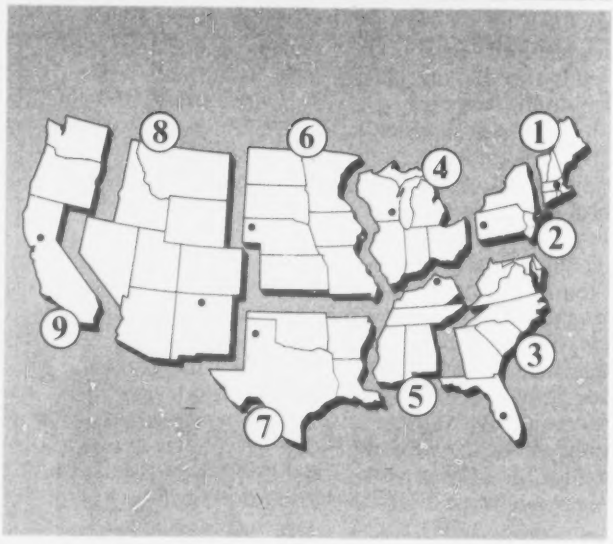
Sandwich franchise restaurants stable . . .

The number of sandwich firms operating franchised units outside the U.S. remained at two in 1984. Canada had three outlets, unchanged from 1983, and continues to be the only franchised sandwich market

—Susan Adelman

How's business?

by Anne Papa



1 NEW ENGLAND

Location: Boston, MA
NRA member: Edward P. Sheehan
Operation: EDOT Corporation
Profile: Mug 'n' Muffin franchisee with one unit
In business: 10 years
Seats: 100
Meals served: Breakfast, lunch, dinner

Just because muffins are traditionally a breakfast food does not mean people only enjoy them in the morning, says **Edward Sheehan,** owner of the Mug 'n' Muffin restaurant. The Mug 'n' Muffin serves six fruit or spice muffin varieties and customers are apt to order them and other breakfast items all day long. Blueberry and bran are clear favorites.

However, Sheehan points out that "muffins alone can't make the world"—or a business. That is why Mug 'n' Muffin's menu is supplemented by lunch and dinner items, such as omelets, meat and poultry dishes. Turkey is the most popular non-muffin item.

Sheehan reports that sales during all meal periods were up during the winter holidays, but the combination of Boston's fierce winter weather and the traditional post-holiday slump has resulted in a traffic decline in the succeeding months.

2 MIDDLE ATLANTIC

Location: Evans City, PA
NRA member: William L. Dickson, Jr.
Operation: Waffle Hut, Inc.
Profile: Specialty restaurant with plans to franchise
In business: 4 years
Seats: 92
Meals served: Breakfast, lunch, dinner

William Dickson is excited about the franchising prospects for his Waffle Hut concept. "The restaurant industry had better keep its eyes open," he advises, "because we're going to be one of the biggest franchisors in the country."

Dickson says the success of his current Waffle Hut, located in Pittsburgh, inspired him to apply to the FTC for permission to franchise the concept in most states in the South and Middle Atlantic regions. In some states, such as Florida, plans are already being made for construction of franchised units. In other states, permission is pending.

What makes the concept so attractive? Dickson explains that success comes from a combination of a high-quality signature item—Belgian waffles, served in 20 varieties, including the "peanut-butter 'n' jelly" waffle and "banana split" waffle—and low prices. He adds that customers are also intrigued by the design of the Waffle Hut. "It looks like a giant waffle from the outside," he explains, "with a huge, panel dome roof that creates cathedral ceilings within."

3 SOUTH ATLANTIC

Location: Clearwater, FL
NRA member: Dick Tetro
Operation: Burger King
Profile: Franchisee with 5 units
In business: 8 years
Seats: 65 average
Meals served: Breakfast, lunch, dinner

Sales in 1986 have already improved over those of late 1985 for **Dick Tetro's** five Burger King units. Already, he reports, midwinter sales are 10 percent over last year's. He attributes the improvement to a fairly good economy in Clearwater and a low unemployment rate.

Tetro has also been attracting business in some of his units with two-for-one discount specials and an "employee of the month" promotion sponsored with area companies. Each month an outstanding employee receives a free Whopper at Burger King.

Name recognition is the major benefit to a franchisee, according to Tetro. "People may not come in if I put my name over the door," he says. "Customers know what to expect from Burger King."

4 EAST NORTH CENTRAL

Location: Brookfield, WI
NRA member: Stephen M. Janecko
Operation: Pizza Slices, Inc.
Profile: Rocky Rococo franchisee with 5 units
In business: 3 years
Seats: 135 average
Meals served: Lunch, dinner

Business has been picking up at **Stephen Janecko's** five Rocky Rococo units, even though he has tough competition—the American auto industry. "Many people in this area bought cars this past fall because of inexpensive financing incentives from the major companies," Janecko explains. "That left people with a lot less pocket money for pizza."

But the marketability of pizza-by-the-slice, sold with a variety of topping options, has kept customers coming to Rocky Rococo's. Aside from traditional toppings (pepperoni, sausage, extra cheese, etc.), the franchise units also offer a vegetarian slice called the "Garden of Eden," which consists of green peppers, onions and mushrooms piled high on a whole wheat crust. And each month a "slice of the month," with various topping combinations is featured.

5 EAST SOUTH CENTRAL

Location: Florence, KY
NRA member: Arnold Caddell
Operation: Bonanza Family Restaurant
Profile: Franchisee with 18 units
In business: 8 years
Seats: 225 average
Meals served: Lunch, dinner

Arnold Caddell's Bonanza Restaurants have been doing quite well, according to **Jeanette Tucker,** assistant manager of the Florence unit. She says that, in a region known for high beef consumption, customers are drawn by the Bonanza menu that features no less than 16 steak items.

Although steak is the house specialty, Bonanza's salad bar is also a main attraction. For one fixed price, customers get: an extensive choice of cold salad items; a rotating selection of hot items, such as potato skins, nachos with cheese, baked beans or buttered noodles; three kinds of bread, including cinnamon rolls, white bread and cornbread; and a build-your-own sundae bar with soft-serve ice cream.

Tucker says the combination of the extensive menu and the salad bar makes Bonanza a favorite stop for families, since there is bound to be something for everyone. She adds that business people are also attracted at lunch by daily specials, which are prepared and served quickly.

6 WEST NORTH CENTRAL

Location: Chadron, NE
NRA member: Roger Corbit
Operation: A&W Drive-In
Profile: Franchisee with one unit
In business: 24 years
Seats: 64
Meals served: Lunch, dinner during winter; breakfast added during summer

All businesses slow down in Chadron during the winter months, reports **Chris Connor,** assistant manager of the A&W Drive-In. Located at the junction of two major interstates that lead to Yellowstone National Park and the Black Hills, Chadron depends heavily on tour buses, which only travel through during the warmer months.

There are local customers who pick up the slack at the A&W restaurant during winter. Mostly, says Connor, they come for the house specialty—burgers, fries and a frothy A&W root-beer float for dessert. The addition of low-calorie menu items, such as a chicken salad sandwich and a salad bar, has broadened A&W's customer appeal. A new decor, emphasizing light, airy panelling and a fireplace, has also helped business.

7 WEST SOUTH CENTRAL

Location: Amarillo, TX
NRA member: L. Dale Pownell
Operation: Pizza Hut
Profile: Franchisee with 15 units
In business: 20 years
Seats: 60 average
Meals served: Lunch, dinner

Only in Texas could a franchisee own 15 units, all in one state, and still have them be hundreds of miles apart. This distance creates a problem, says **Janice Jackson,** office manager for Dale Pownell's Pizza Hut franchise operation. "We depend a lot on mail for communication between units," she explains, "but it's not always reliable. Each unit manager also phones headquarters every night with a sales report."

Pownell's Pizza Huts are located in small towns on the outskirts of Amarillo, Fort Worth, Dallas and Abilene. Jackson reports that, the traditional midwinter slump notwithstanding, business has been good in all units. The popularity of pan pizzas and personal pan pizzas has boosted business, and Pizza Hut's newest item, priazzo, is just beginning to catch on. Jackson also adds that, true to common belief, beef pizza toppings are popular.

8 MOUNTAIN

Location: Farmington, NM
NRA member: Ronald Boice
Operation: Boise Enterprises, Inc.
Profile: Kentucky Fried Chicken franchisee with 6 units
In business: 20 years
Seats: 50 average
Meals served: Lunch, dinner

Ronald Boice says Kentucky Fried Chicken has not changed much in the 20 years he has been a franchisee. In fact, he believes the lack of change is the reason why his units are successful. "All of our units are in small towns," he explains. "Ninety percent of our business is repeat customers who like our product because they know our product." Boice says relatively new KFC products, such as corn on the cob and buttermilk biscuits, have only served to increase customer satisfaction.

Even the most loyal customer base, however, is not immune to fluctuations in the economy. Three of Boice's units, located in western Colorado, have suffered recently because of the decline in the oil shale industry. His three New Mexico units experienced a downturn two years ago because of declines in the oil and gas industries but have since improved. Boice speculates that his company will continue to overcome setbacks "as long as we keep making the Colonel's chicken."

9 PACIFIC

Location: Sacramento, CA
NRA member: Laton A. Willis
Operation: Stratlaw, Inc.
Profile: Straw Hat Pizza franchisee with 7 units
In business: 12 years
Seats: 200 average in 5 units, 2 units are exclusively take out/delivery
Meals served: Lunch, dinner

The growing popularity of pizza and pizza delivery has meant a steady business for Laton Willis' Straw Hat Pizza franchises, according to bookkeeper **Joanie Cordano.** "Our customers aren't confined to one specific age group," she says. "Everybody likes Straw Hat pizza."

Traditional pizza toppings at Straw Hat, such as mushrooms, olives, linguica (a spicy Italian sausage), Canadian bacon and green peppers, also double as fixings on the salad bars, which stand in the five eat-in units. The pizza menu is also highlighted by seasonal specials, such as a summertime "California" pizza, which includes fresh vegetables. Currently, Straw Hat is featuring a sourdough pizza with locally-made crust. And a menu favorite for all seasons is the "Hot Hat" sandwich, consisting of pizza dough folded over various toppings.

FOOD FOR THOUGHT

Monkey business

When Wendy's International decided to open a company-owned unit in the Columbus, OH, zoo, a slightly unusual stipulation was worked into the contract: at the end of each day, left-over produce from Wendy's salad bar is fed to the zoo's gorillas.

"Apes just love fresh produce," explains Linda Packer, spokesperson for Wendy's. "And, with our emphasis on freshness, we don't want to serve day-old produce to customers. Therefore, everyone involved benefits from the arrangement." So why stop there—why not give left-over-burgers to the bears or shakes to the snakes? "It's a matter of proximity," explains Packer. "The ape house is right next to the restaurant."

—VRA NEWS interview

A bit of nostalgia

A McDonald's restaurant in Raleigh, NC, serves more than burgers and fries to customers. It provides entertainment as well to commemorate the company's 30th year in business.

"The fact that the building is a converted movie theater makes it an ideal spot for our 'anniversary store,' " points out Bruce Wunner, vice president/regional manager of McDonald's. So the unit features two large projection screens and runs movies and television classics from the 1950s, such as "Casablanca" and "Lone Ranger" cartoons. According to Wunner, "The 50s theme is intended to recapture the era when McDonald's was founded."

The restaurant promotes upcoming feature films on tray liners and on the store marquee. Wunner says the movies are a hit among students at nearby North Carolina State and among families who bring their children on Saturday when cartoons are featured.

—Greycom Public Relations

Movie-ing into the business

Now when customers stop at their favorite 7-Eleven store in Northern Virginia, they can get much more than a late-night snack or a quart of milk. They can rent a movie and videocassette recorder as well.

The Northern Virginia operation will be the first step in what the $7 billion-a-year convenience food chain said would be a nationwide operation for its new MovieQuik service.

"What we have to offer is a number of locations, open 24-hours a day, seven days a week plus the ability to tailor our movie inventory to our clientele," said Robin Young, a spokeswoman for 7-Eleven's Capital Division, which oversees 650 stores in the District of Columbia, Maryland and Virginia.

The company said it will stock more than 200 movies per store, including such hits as "Raiders of the Lost Ark," "Beverly Hills Cop" and "Ghostbusters." New tapes will be available each week. Rentals will be 99 cents per night Mondays through Thursdays and $1.99 on weekends and holidays. Videocassette players will rent for roughly $6 a night.

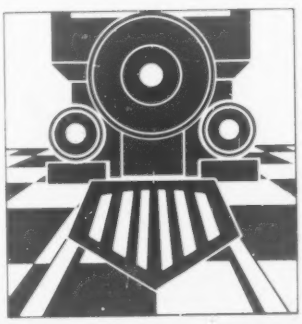
Membership in the store's video club is free,

but renters are required to show a driver's license and a credit card as identification. Payments must be made before the tape is taken out of the store.

—Washington Post

Restaurant's success—a choo-in

Two years ago, Robert Bauer and Scott Taylor were setting up a toy train set for Bauer's young son when someone put an apple in the boxcar and sent it around the track. "Hey," wondered Bauer, "why not start a restaurant where you deliver the food in trains?"



Why not, indeed? Last month, The Train Station opened in Panorama City, CA. Dishes (mostly sandwiches and other fast food items) are loaded on toy flatcars by the chef who sends them to booths electronically. A protective window is raised when the food trains stop at the proper tables. Train station sound effects are played over the loudspeaker.

"Customers have been tickled to death," reports Taylor. The partners hope to franchise the concept this year.

—USA TODAY

NEW

Member to Member

NRA's 1986 Membership Drive

You could win

Free Dues

One year's free NRA membership

Free vacation to one of America's culinary capitals

Free Trip

Both could be yours during NRA's 1986 Membership Drive.*

Between now and the NRA Show in May, current NRA members will have the opportunity to earn a discount on their renewal dues. Members can receive a 20 percent discount on their dues for each new member (restaurateur or supplier) they recruit during the "Member Get a Member" drive. By recruiting five new members, recruiters are eligible to receive their full renewal dues free. New member's dues must be equal to or greater than the recruiter's discount.

Recruiters vacation trip drawing

As an added bonus, member recruiters will be eligible to win a two or three-day round-trip vacation for two to the city of their choice—Los Angeles, New York, San Francisco or Dallas. Accomodations provided by Hyatt Hotels; airfare provided by United Airlines. Each new member recruited means another entry for the recruiter in the vacation trip drawing which will take place at the NRA Show.

New members recruited will also be eligible for a separate drawing and may win the same spectacular vacation package.

*New memberships must be properly documented. Special application forms are being mailed to all NRA members along with more information on the NRA 1986 Membership Drive. You need not be present at the NRA Show to win.

For details, contact NRA's Membership Department
311 First St., N.W. Washington, DC 20001
800/424-5156 (toll-free) or 202/638-6100

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CONGRESSIONAL INFO SERVICE
4520 EAST-WEST HWY #300
WASHINGTON DC 20014